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THE ECONOMIC AND
FINANCIAL POSITION
OF ITALY

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INFORMATION DEPARTMENT PAPERS

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PREFACE

Few subjects in recent years have roused such interest or so much controversy as the progress of the Fascist régime in Italy and the establishment and development of the Corporative State. Personal or political bias so often colours first-hand accounts of the situation that there is justification for an attempt to present a detached study of fact.

That the task of sifting the mass of conflicting information has been completed at all is in great part due to the advice and assistance of numerous experts to whom the Department wishes to express its deep obligation.

It is beyond the scope of the Memorandum to draw conclusions. The aim has been to present a set of facts from which readers can form their own views as to what the Italian Government is attempting in the economic and financial field, and how far it has succeeded or failed.

Since this Memorandum was first published in June, 1935, the military measures taken in connexion with the dispute with Abyssinia have had their repercussions on Italian economics and finance, and they are a factor to be borne in mind when forming a judgment as to the future.

But in order to bring the second edition up to date, it has not been necessary to do more than add a few new facts and figures. The change brought about by the threat of war has so far been one of tempo and not of form.

Information Department.

CHATHAM HOUSE,
September 2, 1935

NOTE: The use of the terms 'corporate' and 'corporative' seems to be a matter of taste. This memorandum uses 'corporative' and 'corporatism' throughout.

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I. THE STRUCTURE

I. PERMANENT ECONOMIC CONSIDERATIONS

THE mind which sets out to plan an economy for Italy has to reckon with two permanent problems which can be mitigated but, in present circumstances, cannot be cured.

Population. The first is population. This has grown by more than 30 per cent. since the beginning of the century, and, though the rate of increase has fallen off in recent years, the growth continues and is being fostered for national reasons.¹ This, coupled with the low average income per head,² means that the standard of living, low in the beginning, rises far more slowly than the expansion of national productivity would lead one to think.

The outlet solution is at present negligible. The Colonies are climatically unsuitable and absorb few, while permanent emigration to foreign countries has been immensely reduced since the War, owing primarily to foreign restrictions,³ but also perhaps to the Fascist law of 1927 designed to keep all man-power within the national fold. More intensive cultiva-

¹ (Figures from *Annuario Statistico Italiano*, 1935)

	<i>Total Population (million)</i>	<i>Birth-rate (per 1,000)</i>		<i>Excess of live births over deaths (per 1,000)</i>	
1891 . . .	30.8	1911-15	31.5	1911-15	11.7
1901 . . .	32.5	1916-20	23.0	1916-20	-1.4
1911 . . .	34.7	1921-5	29.8	1921-5	12.4
1921 (old frontier) . . .	36.4	1926-30	26.8	1926-30	10.9
1921 (new frontier) . . .	37.9	1931	24.9	1931	10.1
1931 . . .	41.17	1932	23.8	1932	9.1
		1933	23.7	1933	10.0
1935 . . .	42.84	1934	23.4	1934	10.1

² Estimate for 1929: Italy 100, Belgium 142, France 157, Germany 234, Great Britain 436. See C. Arena, *L'Espansione economica in regime corporativa*.

³ e.g. The U.S. law of 1920 limiting Italian immigration to 3 per cent. of Italians then in the States. The position has been aggravated by returning emigrants driven home from the United States and elsewhere by the crisis.

tion, as practised under the Government's agricultural and land reclamation policy, is only a partial remedy, and is expensive owing to the malarial nature of much of the marginal land in the South.

Raw Materials. The second major problem is an exceptional dependence upon foreign supplies of raw materials.¹ In Italy these are not for food (for it would appear that at a pinch she can, in good harvest years, feed herself) but for the export trade in textiles and other industrial products, on which the maintenance of a higher standard of national well-being depends.

The present Government has made every effort to substitute home products for these imported necessities, partly as an enforced consequence of the overvaluation of the lira in 1927, and partly in order to free Italy from a dependence on foreign countries which might prove embarrassing, or even disastrous, in the event of war. It will be seen that where metals are concerned Italy must always depend on imports, to satisfy her normal needs, but that the wheat-growing campaign and hydro-electric developments have achieved some progress towards self-sufficiency. The economic wisdom of this policy is another matter, and it is later reviewed in relation to its cost and its effect on the export trade and standard of living.²

2. THE MECHANISM: THE CORPORATIVE STATE

Post-War Italy. The changes brought about by Fascist economic policy cannot be assessed without recalling the state in which Italy found herself at the end of the World War.

¹ Italian imports as a percentage of the total consumption in a typical year (1925).

For production (home industry and exported finished goods):

Cotton	99 per cent.
Wool	80 per cent.
Coal	95 per cent.
Mineral oil	99 per cent.
Copper	99 per cent.

For food:

Grain	20 per cent.
Meat	15 per cent.

² See Part III. 3 below.

The young nation had little popular tradition of unity beyond the legend of Garibaldi; differences of standard and outlook were very marked, and were enhanced by the exceedingly low level of popular education. These facts and the tradition that political changes were brought about by excited crowds in the piazza meant that the parliamentary system had worked badly, and by the end of the War the Government had begun to lose all vestige of authority; the decline quickened with the slights Italy believed herself to have suffered at the hands of the Great Powers at Versailles.¹ There followed in 1921-2 the collapse of the post-war boom in commodities and a resultant train of bank failures.² Strikes increased from 1,871 in 1919 to 2,070 in 1920, and the numbers of workmen locked out rose to a peak figure of 60,000 in 1921. Street fighting and the seizure of land and factories spread; the disintegration was general and a change of régime appeared inevitable.³

It will be remembered that the last of the Liberal governments gave the left wing every opportunity to make good Socialist or Bolshevik control. Their leaders proved unprepared to take the responsibilities, and it was left to Signor Mussolini to enter the uninviting arena.

The machinery by means of which he has changed the Italian scene has been christened the Corporative State.

Corporatism: Some Misunderstandings. There is often misunderstanding as to what Italian Corporatism involves and how far it has progressed. The lay mind is confused by the intricacy of the structure and by the very number of laws and decrees which have altered it or have shifted emphasis from body to body. Part of the explanation is that Signor Mussolini's method is avowedly empirical; there is no hesitation in discarding any part of the scheme which experiment has proved to be unsuitable.

Another reason for bewilderment is the practice, illogical to the English mind but apparently normal to the Italian, of

¹ Cf. I. S. Munro, *Through Fascism to World Power* (1933).

² For Italian monetary history of this period, cf. L. Passardi, 'The total of deposits', *Giornale degli Economisti*, 1930, page 266.

³ For an analysis of the break-up of Italian liberalism and the ensuing revolutionary period, see Luigi Sturzo, *Italia e Fascismo* (English translation, 1926).

passing laws which refer, as if existing, to machinery which, though designed on paper, is in fact only to be set in motion later on. This may go far to account for a frequent criticism: 'The Corporations are not working; the Corporative State is a mere façade of words.'

A minor but confusing point is the use of the term 'corporation' which has at different times denoted entirely different bodies.

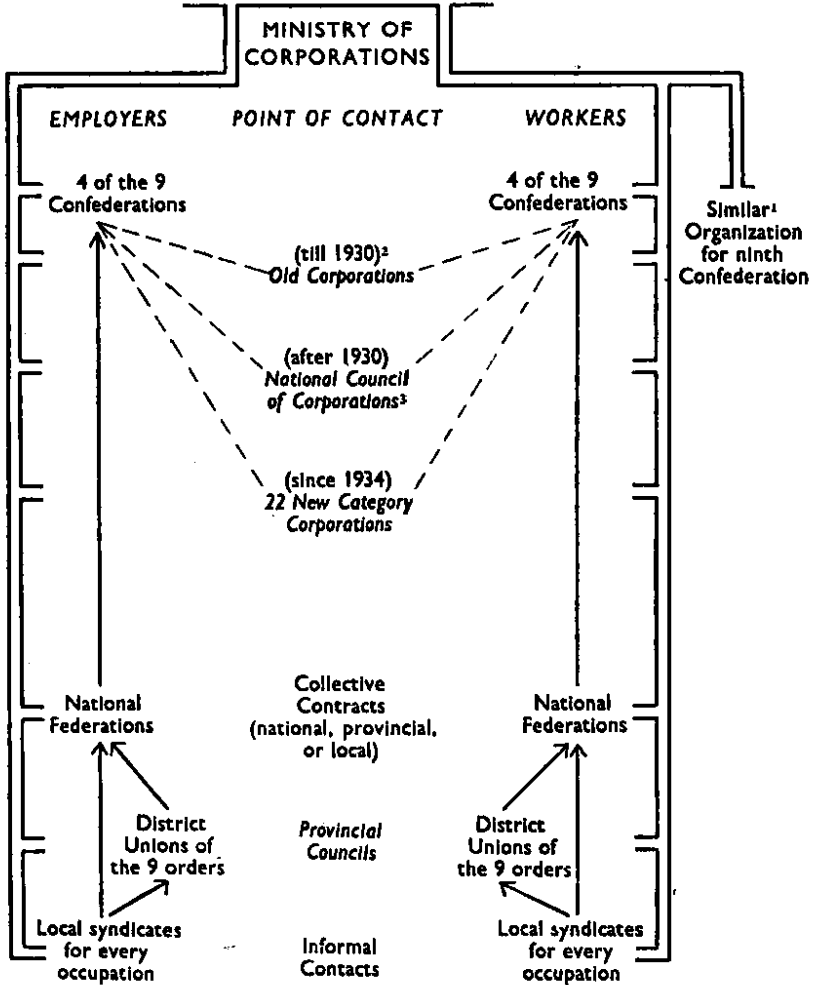
The Italian Form of Corporatism. Ideally, the fundamental requisite for corporatism is the meeting of employers, employees, and State representatives to fix economic policy, all *voluntarily* waiving personal aims and preferences in the interests of the nation as a whole. But suppose there to be disagreement as to the direction in which these interests lie, the dictates of a deciding voice must be either accepted or enforced. In Italy the State—meaning Signor Mussolini and the Fascist Party—constitutes this deciding voice. 'The umpire's decision is final', and the consequent enforcement of the official view is the basis of most Social-Democratic criticism of the régime.

The ideal corporatism as described above is not unlike the medieval guild conception, and would doubtless be most easily promoted through mixed unions of employers and employees. In Italy circumstances decreed that this should not be. The powerful industrialists felt that it meant a loss of prestige and was technically undesirable in that it admitted workers to industrial secrets. The régime could not at that early stage antagonize so weighty a group; therefore, in the Chigi Palace Agreement of December 1923, it bowed to the necessity of maintaining rival groups of employers' syndicates on the one hand, and workers' on the other.¹

The Corporative Hierarchy. The diagram of the corporative hierarchy on page 11 is designed to show both this

¹ For the surrender of Rossoni to the industrialists on this point, see Rosenstock-Franck, *L'Économie corporative fasciste* (1934), pp. 32-9. This account shows how the political sop simultaneously offered by the industrialists was the recognition of the Fascist workers' syndicates. Their complete capitulation to Fascism did not follow until 1925, when, in the Vidoni Palace agreement, they recognized the workers' syndicates as the *sole representatives* of labour.

STATE : PARTY



¹ The ninth Confederation is shown in the margin because, being that of professional persons and artists, the dual classes of employer and worker do not apply. Its syndicates, unions, and federations are organized in the same hierarchy.

² The 'Old Corporations' are dead; the N.C.C. and New Corporations exist simultaneously.

³ With its permanent committee the Central Corporative Committee.

juxtaposition and the way in which the State controls and permeates the whole organization.

It also shows that the *Syndicate*¹ is the basic unit of the organization. In the towns and villages syndicates of employers and workers are formed for each calling, communicating locally through purely informal channels. Since Fascist syndicates alone enjoy legal rights and privileges, others, though not strictly illegal, have ceased to exist. The syndicates are collected into *Federations* (in cases where local organization is impractical—for seamen, for instance—a national Federation can be formed direct). Here employer and worker effect contact through collective labour contracts; the collectivity covered varies according to convenience, and the contracts, which require ministerial sanction and subsequent publication, have the force of law.²

The Federations are in their turn collected into nine³ *National Confederations*, four each for employers and workers in the four orders of production: industry, agriculture, credit, and commerce. The ninth is a 'singleton' for professional persons and artists, to whom for obvious reasons the categories employer and worker do not apply.⁴ This organization into nine orders also occurs on a lower plane in the hierarchy, for the local syndicates send representatives to regional councils of each of the nine branches of production.

The points of contact between the parallel groups of employers' and workers' organizations are shown in the centre of the diagram. During the first few years after the inauguration of the system in the Labour Charter of 1926, contact on a national scale was effected in the bodies now known as the '*Old Corporations*', i.e. the meeting of a confederation on the employers' side with its opposite number on the workers' side

¹ Of the Fascist, not the Social-Democratic kind; in the latter the class-struggle and internationalism take precedence over national interests; in the former the nation comes first. For an analysis of these and other differences, see Rosenstock-Franck, *op. cit.* pp. 91-7.

² The controversy between Fascists and anti-Fascists as to whether these contracts are voluntarily concluded or are imposed by the Ministry of Corporations bears no relation to a description of the hierarchy.

³ Formerly 13 (6+6+1), but the two branches for land transport and sea and air transport were fused with commerce by a decree of May 10, 1934.

⁴ Technicians are grouped with employers in the corporations.

to discuss their particular branch of economic activity, the Government using the discussions as a basis for future policy.

The next stage was reached on March 20, 1930, with the creation of a body to cover all branches of the national activity—the *National Council of Corporations*. This meets periodically and consists of the confederations sitting in a legal body, together with the head of the State (in the chair), his ministers, the representatives of certain official bodies, and representatives of the Fascist Party. The number of members is undetermined; latitude is left for special co-option of experts or persons representing the interests particularly concerned. Though empowered to enforce a compulsory economic policy—i.e. to execute the planning—the National Council has remained purely advisory; its permanent secretariat and its standing committee, the *Central Corporative Committee*, have done much of the work of reshaping the empirically developed substructure.

The third stage followed with the inauguration of the 'New Corporations' in 1934.¹ There are twenty-two of these, based on the principle of the productive cycle² and embodying, for each category, representatives of employers *and* employees throughout every stage of production from raw material to the finished article—e.g., in the Textile Products Corporation: mulberry growers; silkworm breeders; spinners; weavers; dyers; printers; manufacturers; retailers.³ The creation of these New Corporations and the legislation connected with

¹ By the Decrees of May 10 and 29, and June 9 and 23, 1934; the 22 Councils with their 823 councillors were formally installed on November 11, 1934.

² The 22 categories are divided as follows:

First group: (1) cereals, (2) horticulture and fruit, (3) viticulture and wine, (4) oils, (5) beetroots and sugar, (6) zootechnology and fisheries, (7) timber, (8) textile products.

Second group: (9) metallurgy, (10) chemical industries, (11) clothing, (12) paper and printing, (13) building construction, (14) water, gas, electricity, (15) the mining industries, (16) glass and china ware.

Third group: (17) insurance and credit, (18) professions and arts, (19) sea and air, (20) internal communications, (21) the theatre, (22) hospitality.

³ For composition of all corporations see monthly *News Notes on Fascist Corporations*, May 1934, pp. 5–8; each is presided over by the Minister of Corporations and includes three members of the Fascist Party and Co-operative Society representatives.

the change reveal a twofold shift of emphasis. First, the segregation of capital from labour is minimized, for the new 'category' groupings cut right across the old parallel array of masters and men. Secondly, the principle on which importance has been given to some bodies and removed from others (by means of the shifting of legal personality)¹ denotes a tendency towards decentralization, and would seem to be an attempt to afford stimulus from below to the mechanism as a whole.

The word decentralization usually implies a transfer of power, and it would be misleading to use it without making quite clear the scope of the New Corporations. They are in practice purely advisory bodies, giving opinions on the management of the national economy, with a voice comparable perhaps to that of permanent Royal Commissions in Great Britain. The Duce has made it clear that an extension of their powers is contemplated; his statement² that 'this Assembly will in due course take the place of another institution which belongs to a phase of history now left behind' is taken to mean that the Chamber of Deputies as at present constituted will disappear.

Whether they will ever pass beyond the advisory stage is another matter; as has been pointed out already, corporatism presupposes a final arbiter, and it is hard to see how the State can relax its control in order to give the Corporations something more than merely advisory powers on national issues.

3. FASCISM AND NATIONAL UNITY

If corporatism is to work it presupposes more than a dictator; it presupposes a unity of national purpose.

In Italy this has been engendered and fostered by Fascism. The political ideals set—the watchwords of the Fascist Party—are well known. In order to focus economic energy a similar series was created in the economic field. Examples of this ideology are plentiful; perhaps the best is the stabilization of

¹ For details of the bodies affected, see *News Notes on Fascist Corporations*, August–September, 1934.

² Speech at the installation of the Councillors, November 11, 1934.

the lira, as set forth by the Duce in his famous speech at Pesaro on August 18, 1926:

'We will defend the lira to the last breath, to the last drop of blood . . . our lira, which represents the symbol of the nation, the sign of our wealth, the fruit of our labours, of our efforts, of our sacrifices, of our tears, of our blood.'

or the land-reclamation policy:

'Reclaim the land, and with the land the men, and with the men the race.'

or the wheat-growing campaign presented to the public imagination as the 'Battle of the Grain':

'I know that each one of you is profoundly convinced of the sanctity of the Campaign and of the possibility of Victory. You feel that we are here struggling for true freedom, the emancipation of Italy from foreign economic dependence.'¹

or the idealism with which Fascist leaders have vested the Labour Charter of 1927. This, the Declaration of Rights of the régime, sets out to create an entirely new economic mentality, transforming producer and consumer, as understood by Adam Smith, into State entrepreneur and citizen bound by a common obligation to serve the national ideal.

How much of the popular approval of the Fascist State is genuine, how much forced, is a subject round which controversy ceaselessly rages.

Since most critics of Fascism hold left-wing views, it is over the treatment of Labour that disagreement is most acute.²

His opponents argue that Signor Mussolini's method was a mere forceful suppression of class-warfare by outlawing strikes and lock-outs as a means of bargaining, and by compelling disputants to arbitrate in State tribunals. Labour, they argue, was forced into the new Fascist trade unions (it is universally known that the others, nominally allowed, were

¹ Speech at the inauguration of the Wheat Committee, July 4, 1925.

² For varying accounts of the labour legislation and trade union situation, see: Goad and Currey, *The Working of a Corporate State* (1933); F. Pitigliani, *The Italian Corporative State* (1933), pro-Fascist; C. Haider, *Capital and Labour under Fascism* (1930), anti-Fascist but not unduly biased; L. Rosenstock-Franck, *L'Économie corporative fasciste* (1934), anti-Fascist; I. S. Munro, *Through Fascism to World Power* (1933).

in fact stifled through being deprived of legal recognition) where Government officials could keep employees from any effective co-operation in purely labour interests. Moreover, all syndical leaders are necessarily Fascists, often young men put through the Fascist schools set up to train them for this purpose, and the same critics hold that they are nothing more than channels for discovering public opinion for the Government.

Undoubtedly the present syndicates may appear lifeless by comparison with those of a democratic day, but it is the opinion of many witnesses that the Corporative organization does, in fact, see that the rights of each side are protected. Such observers hold that the Labour Courts are now a weighty institution commanding general confidence, primarily administering the law and accepting official direction only where it lacks definition. It is a recognized fact¹ that, when appealed to, the Government has usually supported the labour brief; this is a striking change from the early days when the Fascist movement reflected the terror of the small capitalist at Socialist threats. Since the Party outgrew that stage the change in its attitude towards labour has perhaps been provoked by political considerations, among them the antagonism Fascism has met with among the large landowners and capitalists.

A further instance of Government consideration of the Labour standpoint is the 1924 law regulating the terms of employment under private contract between master and man; it is noteworthy that this is more favourable to the employee (for instance in the matter of compulsory holidays and the indemnity to be paid on dismissal) than is the pre-Fascist law of 1919 enacted to control employers who were then pleading the difficulties of the post-war crisis. Moreover, the 1931 decree regulating the formation of industrial combines, and the Ministry's efforts to obtain as wide an extension as possible of collective contracts, are slowly eliminating evasion

¹ Rosenstock-Franck, *op. cit.*, pp. 179-207, holds that political considerations usually govern the Court's decisions, but the instances which he chooses (individual disputes, p. 189; collective disputes pp. 192-8), show that the decision usually favours the workers.

of the 1924 law by employers. There is recent evidence of a genuine desire that labour should have an effective voice in the New Corporations. The Under-Secretary for Corporations, Signor Biagi, stressed this point at the Congress of Industrial Trade Union Leaders in July 1934, and it is also borne out by a recent ruling of the Central Corporative Committee that 'normal pay is to be determined not by elements depending on one party, but agreed on by employer and worker'.¹ Such evidence tends to lead to the conclusion that the repressive measures of the early years are not to be the permanent basis of official policy.

There has, moreover, been a suggestion in Fascist pronouncements that if the New Corporations work as they should, they will ultimately take over the work of the boards at present controlling the pricing, rationalizing, and competitive policy of the various industries, thus introducing a new and larger element of workers' control. However that may be, there was, according to observers, a tendency during 1934 to reject any suggestion that the corporative machine would deal with such delicate questions as price fixing.

It is incontestable that Fascist influence and Fascist control dominate the whole structure; the facts that syndical leaders are specially trained Fascists, and that Party representatives have a right to attend all meetings throughout the hierarchy, amply prove this. The real root of the controversy is whether this control is, nationally speaking, advantageous or oppressive. The rival schools of thought, arguing from the rival premises, view every new move in an opposite light: for instance, the new compulsory *libretti di lavoro*² (workman's passes) preclude the engagement of workers other than through the official Labour Exchanges. This means, according to pro-Fascists, that all employment will be brought under Trade Union control and that evasion of contracts by employers will be eliminated; it also means 'a sure control of the phenomenon of employment and unemployment'. Anti-

¹ But it is hard to imagine how this decision can be effective unless the employees' representatives are afforded access to the books of firms.

² Decided upon by Permanent Commission of Labour at Ministry of Corporations, April 1, 1933.

Fascists point out¹ that each pass is filled in with a series of political details which precede those concerning training and experience, that employers must take the former, not the latter, into account, and that the *libretti* constitute Fascist pressure of the most blatant kind.

Whichever view the reader takes of Fascist corporatism, there are one or two truths to be borne in mind. The first is that the régime has lasted for nearly fifteen years and could not have done so if it had not had a fair measure of popular support, or if there had been leaders and backing for some more suitable form of government. The second is that the Fascist Party is a limited group, admission to which is strictly controlled; its membership has undergone periodic purges and in 1934 numbered 1,538,736.² Though this is a small percentage of the total population of some 43 millions, the figure does not take into account the popular support outside the Party ranks; on the other hand, it means that an exclusive group controls the Italian nation.

¹ See Elwin, *Fascism at Work* (1934), pp. 197-8.

² Made up as follows:

Fascist men	921,056
Fascist women	175,780
University groups	53,010
Fascist Youth groups	52,568
Fascist <i>combattimento</i> youth	336,322

Figures from *Corriere della Sera*, March 2, 1934.

II. THE PROCESS OF RATIONALIZATION

THE Labour Charter lays down that private enterprise 'is the most effective and useful instrument in the interests of the nation', but simultaneously that private interests must be overruled at the point where they cease to further those of the State. Hence the necessity for the State control and guidance operated throughout the mechanism, which is carried out through Fascism and the Fascist conception of national unity.

The way is thus paved to acceptance of general rationalization, reduction of costs of production, &c., in order to increase efficiency at home in the face of foreign competition. The State intervention demanded in this process has taken various forms, of which only the briefest mention can be made here.

Banking. In the first place, the Government is in virtual control of the whole banking system, which was consolidated by the law of February 10, 1927.¹ This law, while leaving the larger banks intact, brought about amalgamations affecting 236 smaller credit institutions, eliminated by fusion 109 others, and concentrated deposits amounting to 14 milliard lire.² Equally drastic was the earlier law of September 7, 1926, laying down rules of banking practice to 'protect the national savings'. Both these laws were of economic importance, in that they placed the Government in direct control of the major part of new Italian investment. The circumstances in which this control was established should be noted. The banks were in difficulties some years before the world crisis as a result of their practice of financing industry direct.³ Their consequent large holdings of industrial shares placed them in a serious position when the 1926-7 lira policy and deflation caused a slump in these share values; the Government came to the rescue, and at the same time induced them

¹ For a summary of the system see the *Economist*, April 28, 1934, pp. 928-9.

² The note issue had already been concentrated in the Bank of Italy by the law of November 6, 1926.

³ A tradition imported from Austria by the founders of the Banca Commerciale Italiana.

to abandon the direct financing of industry and to concentrate on short-term financing, thus enabling them to preserve their liquidity.

Investment. Medium- and long-term credit for production and trade—a long-standing problem in Italy owing to the small volume of saving—had therefore to be found elsewhere. It is now provided through the so-called ‘parastatal’ institutions¹—public bodies comparable in legal and commercial status to the Central Electricity Board in Great Britain—which exist to finance and rationalize Italian business. They acquire the credit which they make available by means of their power to convert public savings (savings bank deposits, insurance reserves, &c.) into Government-guaranteed long-term loans. Funds for the original establishment of the parastatal institutions have been forthcoming sometimes (though rarely) from direct State subsidies, more often from bond issues placed with savings banks and insurance companies, and due to be repaid out of the proceeds of the parastatal institutions’ operations.² Funds have sometimes been provided by a loan floated abroad. For example, in the case of the Credit Consortium for Public Works a loan was

¹ The Italian word *parastatale* is almost equivalent to the English ‘semi-official’. The following is the list of these bodies given by F. Danesi in his book *Gli Istituti di credito parastatale in Italia* (1933):

- Bank of Naples.
- Bank of Sicily.
- Institute of Saint Paolo of Turin.
- National Labour Bank.
- I.M.I. (Istituto Mobiliare Italiano).
- Consortium for Subsidy of Industrial Securities.
- Institute of Liquidations (now taken over by I.R.I.).
- National Institute for Foreign Exchanges.
- Institute for Credit for Italian Labour Abroad.
- Institute for Credit for Public Utility Undertakings.
- Consortium of Credit for Public Works.
- National Consortium for Agricultural Developments.
- Credit Institution for Shipping and Shipbuilding.
- National Board (*Ente*) for Small Industry.
- National Institute for Insurance, Social Welfare, and for State Employees in National Communications.

To this list should be added a subsequent foundation, I.R.I. (Istituto Ricostruzione Italiano).

Note 2 see opposita.

issued in London and New York in 1927. Here the interest and sinking fund payments are secured on the Italian Government's guarantee of annuity payments to borrowers (in this case subsidies to shipping companies), which payments are mortgaged by the borrowers to the Consortium expressly to provide for the service of the loan.

Improved Production. The powers which the Government has acquired by this control of investment have been to some extent directed towards the promotion of approved concerns and the liquidation of those regarded as superfluous.¹ The parastatal institutions accordingly display every caution in granting requests for loans. The following are the statistics for I.M.I., the largest institution, founded at the end of 1931:

	<i>Million lire</i>	
	<i>Requested</i>	<i>Granted</i>
First fifteen months . . .	2,800	558
Next twelve months . . .	466.1	454.7

These figures illustrate not only the Government's discretionary policy, but the dawning realization among industrialists that it is useless to expect loans where they are undeserved.

This disciplining of industry is carried still further by such systems as Government licences² for the extension of plant or the creation of new firms and retail establishments, official supervision and inspection and, if necessary, the control of

Note 2 from previous page.

² F. Danesi (op. cit., 1933) gives the following statistics:

	<i>Parastatal Institutions</i>	<i>Million lire</i>
Total paid-up capital . . .		2,368.8
Of which:		
Original foundation capital . . .		779.9
State subsidies		188.0
Cassa dei Depositi e Prestiti		426.0
Other		974.9

This table does not include I.R.I., founded on January 21, 1933, with a capital of 100 million lire subscribed as to 60 per cent. by the Cassa dei Depositi e Prestiti, 20 per cent. by the National Fascist Institute of Social Insurance, and 20 per cent. by the National Insurance Institute.

¹ The grounds are not always economic; politics and prestige play their part, e.g. shipping subsidies: cf. *The Times*, September 28, 1932, p. 11; article apropos the launching of the luxury liner *Rex*.

² Law of January 12, 1933; cf. article by de Stefani in the *Corriere della Sera*, November 11, 1933; also the *Economist*, August 25, 1934, p. 355.

voluntary and compulsory combines.¹ Over the same period, systematic rationalization of the finances of compromised industries has been carried out, and has placed many concerns on a footing which has enabled them to weather the world crisis; the body responsible for this task to-day is I.R.I., the *Istituto Ricostruzione Italiano*. An instance of successful reorganization on these lines is *Italgas*, the biggest Italian gas concern; in 1930-1 its threatened collapse is believed to have caused some embarrassment to the *Banca Commerciale*;² in December 1933—in spite of the depression—it was able to pay back the loans it had received and to free itself from reliance on public money.³

Price Control. Prices and competition are subjected to similar supervision, and a whole network of boards of more or less public character controls the pricing, rationalizing, and competing policy of various industries.

Land Policy. The same principles of rationalization have been applied in the agricultural field. Participation in the Government's land policy is obligatory, and landowners who refuse to co-operate are liable to expropriation. The improvements required under the policy usually involve a transition from extensive to intensive cultivation and the erection of houses and farm buildings; while many landlords may be reactionary and therefore sometimes recalcitrant, even those most conscious of their social obligations may protest that they cannot afford the changes. The Government offers to lend the money; if the landlord protests that the programme will not be sufficiently productive to pay the service of the loan, his land may be turned over to agriculturists who will work it in the spirit required, or more often he is forced to join in local *consorzi*, or combines of farmers, and to co-operate in carrying out the land policies laid down by law.

Subsidies. Where the State sets out to encourage, or to rescue from distress, its usual method is a subsidy, direct or indirect. There is not room here for a detailed review of all

¹ Law of June 16, 1932.

² For an account of these difficulties and their solution, see Ruggero Levis in *La Riforma Sociale*, November-December 1931, pp. 628-39.

³ See the *Economist*, December 16, 1933, p. 1176, which also deals with the method of reorganization of the Electricity S.I.P. group.

the forms of subsidization practised. For convenience, they have been divided under six heads :

(i) Loans to industry or agriculture through the 'parastatal' institutions, with a State guarantee of interest payments.¹

(ii) State participation in the interest on loans made for specified purposes. For example, the State assumes responsibility for 2½ per cent. on the loan for land development made under the 1927 law for the reform of agricultural credit institutions, and for 2 per cent. on the loan for fishing improvements under the 1931 law.²

(iii) Levies on the consumer in order to procure funds with which to strengthen the producer of a given commodity. The National Rice Office, with the proceeds of a tariff, subsidizes rice exporters in order to enable them to dump abroad; the body carrying out a similar process for cotton handles some 60 million lire per year.

(iv) Direct State loans. These are now rare; examples are the 55 million lire loan to the Anseldo Cogne iron and steel works in 1926, and a similar loan to the Adria Company, employed in the manufacture of chemicals at Monfalcone, which is important for agricultural development.

(v) Direct payments, mainly for the public works, authorized by legislation covering the entire expenditure over a period of years together with the assignment of expenditure for each particular financial year. These appear in the budget mainly under the headings 'public works' or 'economic development'.³ An instance of a direct subsidy to industry is that to the silk industry of 2.70-3 lire for every kilogram of raw silk produced.

(vi) Deferred payments.⁴ These have been widely used, particularly in the field of land development under the *bonifica integrale* law of 1928.⁵ The concerns undertaking the

¹ See page 20 above.

² Under stress in the crisis responsibility up to 3½ per cent. was assumed in particularly deserving cases (law of May 1931); e.g. to depressed areas: Ferrara (May 1931), Brescia and Pola (July 1932), &c.

³ See pp. 52-3 below.

⁴ See page 58 below. For further details of both direct and deferred payments see Dalton, *Unbalanced Budgets*, pp. 240-4.

⁵ See page 47 below.

24. THE PROCESS OF RATIONALIZATION

works receive guarantees of annuities over periods up to forty-four years.¹ On this security, they are able to procure the funds to cover immediate costs by borrowing from the parastatal institutions and from savings banks. The system is, therefore, another form of recourse to public savings.

Though subsidies have been so widely used to further rationalization and national development, the chief motive in increasing them has been to combat unemployment in the crisis ; this aspect of the policy is dealt with in the succeeding section.

¹ Only the current year's annuity appears in the Budget.

III. THE POSITION IN THE SUMMER OF 1935

The world crisis infinitely complicated and accelerated the national drive for rationalization.

The exporter, adversely affected even before the crisis by the overvaluation of the lira, found his markets contracting still further. Unemployment rose rapidly, and caused an increase of the costly stream of subsidies to a torrent, for industries (particularly those hard hit by foreign competition, such as shipping or silk) were expensively assisted as an alternative to supporting labour thrown out of work by their collapse. The drive for self-sufficiency, dictated in pre-crisis days by strategic motives and the overvaluation of the lira, became vital in the face of dwindling exports, visible and invisible. This decline in its turn necessitated curtailment of imports, with inevitable repercussions on the Italian standard of living. The situation is reflected in the foreign trade and exchange position, the series of budget deficits and the growth of the national debt. This Part reviews these developments in the following order:

1. The lira.
2. Self-sufficiency and foreign trade.
3. The standard of living.
4. Unemployment.
5. Public works.
6. The Budget.
7. The national debt.

1. THE LIRA

In December 1934 two decrees were published which tightened up rigidly the existing exchange restrictions. In May 1935 a further decree ordered the surrender of all privately-held foreign investments. In July the decree prescribing a minimum gold cover of 40 per cent. for the Bank of Italy was suspended. And at the end of August the foreign investments commandeered in May were compulsorily converted into Italian Government securities. But these decrees, though drastic, did not indicate any sudden deterioration in the exchange position. Rather, they represented the culmination of a severe strain originally imposed upon the Italian economy by the overvaluation of the currency in 1927.

Stabilization. At Pesaro in August 1926, Signor Mussolini had pledged his party, in words which stand engraved in stone, to maintain the value of the lira at all costs.¹ In fulfilment of this pledge the lira was legally stabilized in December 1927 at a rate of 19 to the dollar. In the previous two years the exchange value of the dollar had wavered between 25 and 26 lire; the stabilization thus involved a pronounced degree of overvaluation.

The precise reasons for the adoption of this course are by no means clear. It is argued that for a country like Italy, which must import essential raw materials, an overvalued currency is actually beneficial, since it turns the barter terms of trade in her favour, enabling imports to be secured at a lower real cost. It is suggested, also, that Signor Mussolini, realizing that the employers had taken advantage of the proscription of strikes and lock-outs to resist reasonable demands for advances in money wages, chose this method of compensating the workers, by lowering the price level, and thus increasing real wages. But perhaps the primary motive was national prestige. It was certainly the main consideration emphasized in popular expositions of the policy, notably the Pesaro Declaration: the lira was to be worth 30 per cent. more than the franc.²

Need for Deflation. The policy put Italian costs out of equilibrium with world prices and thus hit all the export trades severely; as from 1927, therefore, there was need for considerable deflation. In 1929 the fall in world prices necessitated further deflationary measures. In 1931 Great Britain abandoned the gold standard, to be followed very shortly by half the countries of the world. The Italian Government remained inexorably determined to maintain the lira at the 1927 parity; in the circumstances a third dose of deflation became imperative.

The Fascist Method. Signor Mussolini did not shrink from shouldering his self-imposed burden. Normally a government pursuing a deflationary policy escapes the odium of reducing money payments by leaving to the private em-

¹ See p. 15.

² Compare the popular appeal of the policy which enabled the pound 'to look the dollar in the face' again in 1925.

ployer the task of imposing the cuts. The Fascist Government, however, undertook a deflation on a national scale, reducing all forms of production costs by decree.¹ Money wages and salaries were reduced through successive cuts by amounts ranging from 20 to 40 per cent. Prices were also reduced by decree, but were prevented from falling in a comparable degree by the exceptionally high tariff. Rents were reduced twice by 10 per cent., and once by 12 per cent., incidentally causing a violent slump in real estate values. The Bank Rate, traditionally considered to be at its lowest possible point at 5 per cent., was reduced by stages to 3 per cent. by December 1933. A maximum of 5 per cent. on agricultural loans from banking was imposed by the decree of September 27, 1932, and the same limit was enforced in respect of loans from the Deposit and Loan Fund to co-operative building societies, irrespective of the rate at which they were contracted. Maxima were also imposed on the rates of interest payable by the banks on private deposits.

Reflationary Tendencies. The very thoroughness of the policy adopted by the Italian Government undoubtedly occasioned distress and unemployment, and seems to have made some modification of the policy socially and politically necessary. Towards the end of 1933 an attempt was made, by an extension of the subsidy and public works programme, to re-employ those thrown out of work by the deflationary measures; in fact, a mild dose of reflation was injected into the system.² This did not mean that deflationary measures were completely abandoned. On the contrary, an important cut in State salaries was effected by decree in April 1934. But, inevitably, the more the new policy succeeded in stimulating employment and production, the more it prevented the necessary lowering of prices and curtailment of imports; yet these became increasingly imperative as the continued depreciation of other currencies helped still further to contract the volume of visible and invisible exports. In consequence, the monthly

¹ See p. 41, below.

² See the *Economist*, leading article 'What of the Lira?', December 8, 1934. See also indication in employment indices, p. 45, and production figures, p. 36.

visible import surpluses began to swell dangerously; they were often nearly double those of the corresponding months in the preceding year.¹ This result contrasts strikingly with the developments in the other Gold Bloc countries, which, by adhering rigidly to the policy of deflation, secured a continued fall in imports and import surpluses during 1934.

In 1933 the one compensating feature for the continued depreciation of foreign currencies had been the fact that uncertainty as to the future course of the dollar led many Italians to transfer their savings from the United States to Italy. This benefit, however, was short-lived, for the stabilization of the dollar early in 1934 induced many of these persons to take back the savings which they had sent over to Italy for safety. The strain on the exchange was accentuated by the fact that many Italians were tempted by the depreciation of the dollar and the pound to purchase at a profitable price Italian bonds originally issued in the United States and Great Britain.

Early in 1934, as confidence in the dollar was restored and the somewhat reflationary policy expanded the surplus of imports, the lira moved to a discount in Paris of 2-4 per cent.² There began an outward drain of gold, which continued steadily throughout the year; yet the new policy involved an expansion rather than a contraction of the note circulation.³

¹ See Appendix II.

² Lira: Percentage Discount or Premium in Relation to Gold Parity. (From *League of Nations Monthly Bulletin of Statistics*.)

Average	1929	1930	1931	1932	1933	1934	1935
Jan.	-0.56	-0.57	-0.53	-4.16	-2.76	-0.43	-3.63
Feb.	-0.56	-0.54	-0.53	-1.48	-2.80	-1.25	-4.34
Mar.	-0.53	-0.49	-0.47	-1.53	-2.39	-2.98	-6.30
Apr.	-0.52	-0.41	-0.51	-2.16	-2.61	-3.64	-6.54
May	-0.52	-0.41	-0.53	-2.17	-1.31	-4.12	-7.06
June	-0.60	-0.48	-0.54	-2.79	-1.15	-3.00	-7.05
July	-0.63	-0.47	-0.63	-3.08	+0.50	-3.19	-7.56
Aug.	-0.66	-0.47	-0.62	-2.83	-0.04	-3.16	-7.70
Sept.	-0.63	-0.49	-1.77	-2.60	-0.01	-3.15	
Oct.	-0.52	-0.51	-1.87	-2.73	+0.09	-3.30	
Nov.	-0.52	-0.54	-2.06	-2.86	+0.16	-3.53	
Dec.	-0.52	-0.48	-2.92	-2.93	-0.04	-3.60	

³ A decline almost continuous since 1925 was reversed as from April 20, 1934; see Appendix IV.

How, then, was the lira maintained on the gold standard?

The answer is that, even since 1927, Italy has not really been on the gold standard; except for a brief period in 1930-1, there has always been some degree of Government control of gold movements. After Great Britain had left gold the lira was allowed to fluctuate, admittedly within narrow limits, but actually beyond the gold points.

Exchange Control. The discount in early 1934 thus really only represented a renewal of the adverse pressure. But this time the losses of gold began to assume really serious dimensions. In May 1934 Signor Mussolini gave a very black account of the situation in an important speech before the Chamber of Deputies. He frankly anticipated a budget deficit of 4,000 million lire, and emphasized the dangerous condition of the balance of payments, and the ominous efflux of gold. In the same month, all foreign exchange operations, except those arising from genuine industrial or commercial trade requirements, or necessities of travellers abroad, were prohibited. Banks and business firms were required to declare their foreign balances to the Bank of Italy. In addition, banks and Italian citizens were forbidden to purchase securities abroad, including Italian loans issued in foreign markets.

Gold Losses. These measures did not succeed in their object of checking the strain on the balance of payments. There was natural alarm at the continued diminution of the gold reserves of the Bank of Italy, which fell from about 7,100 million lire to about 5,800 million lire in the course of 1934. The ratio of reserves to note and sight liabilities continued to decline steadily throughout the year, from 51·08 per cent. on February 20 to 41·16 per cent. on December 10, 1934—the legal minimum cover being 40 per cent.¹ Partly cause and partly effect of this decline was a steady smuggling of gold abroad by nervous depositors. No less disturbing than the actual export of gold was the policy adopted by many exporting companies of retaining abroad the proceeds of foreign sales, where necessary paying current internal expenses out of capital.

The December Decrees. By the end of November the Government could no longer delay action. On November 24,

¹ See Appendix IV.

the Bank Rate was raised from 3 per cent. to 4 per cent., and on December 8 and 19 two decrees were published, tightening up the exchange control instituted in May. On December 8, 1934, all Italian banks, bankers, and companies having their seats in Italy or its colonial possessions were ordered to cede their foreign credits within ten days to the National Exchange Institute at the current rate of exchange, and all Italian citizens were ordered to declare to the Bank of Italy any credits they had outside Italy, and any foreign or Italian securities they possessed, even if these were deposited abroad. On December 19 the export was forbidden of bank bills, drafts, cheques, or bonds drawn in lire and payable in Italy or its colonial possessions; and persons leaving the country were forbidden to carry sums exceeding 2,000 lire.

The significance of these decrees was variously interpreted. In some quarters it was suggested that Italy might be intending to follow the German example of utilizing a partial default on foreign loans to subsidize additional exports.¹ But this ignored the fact that Italy has virtually no foreign obligations with which to juggle,² quite apart from the fact that she has a most scrupulous record in her foreign financial relations.

In fact, probably the correct interpretation of the decrees is the obvious one. When it became evident that the exchange control instituted in May 1934, and the raising of the Bank Rate in November 1934, would not suffice to maintain the ratio of Bank reserves to sight liabilities above the legal minimum of 40 per cent., the authorities proceeded to take the only step possible, given a refusal to consider either devaluation or a suspension of that minimum.

The December decrees checked the outflow of gold; but it was soon evident that the crisis had not been permanently averted. In February 1935 a comprehensive and drastic set of additional import restrictions was announced.³ In May

¹ Under this scheme the foreign purchaser of 'additional' German exports (i.e. exports which he could not otherwise afford) pays for them in part with 'blocked' marks which he purchases at a very considerable discount. See *Germany's Foreign Indebtedness*, by C. R. S. Harris, Chapter IV, issued under the auspices of the Royal Institute of International Affairs, Oxford University Press, 1935.

² See Appendix V, and p. 55, below.

³ See p. 39, below.

all banks, companies, and individuals were compelled by decree to deposit their holdings of foreign stocks and bonds and of Italian bonds issued abroad with the Bank of Italy or its authorized agents, and to receive henceforth their interest and amortization payments in lire. In June a further decree authorized the withdrawal from circulation of the whole Italian silver coinage.

Suspension of Legal Minimum Gold Cover. Finally, at the end of July, the struggle was abandoned. The law prescribing a 40 per cent. gold cover for note and sight liabilities was suspended. The gold reserves of the Bank of Italy began to diminish appreciably; and by August 20 the 'ratio' had declined to 35.61 per cent. On August 12 the Bank Rate was raised from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent.

The suspension of the 40 per cent. legal minimum precipitated a violent fall in the external value of the lira, which was only remedied by strong official support. But the lira had already for many months been extremely weak; even before the suspension of the legal minimum it was quoted in Paris at nearly 8 per cent. below par—well below the technical gold export point. The weakness of the forward lira was still more striking. During July–August 1935 it was quoted three months forward in London at a discount on spot of anything up to 40 per cent. per annum—a quite unprecedented figure.

By August, the acute shortage of foreign exchange was becoming increasingly evident. But on August 1 the Italian Embassy issued a denial of a rumour that Italy was trying to raise a loan in London. On August 8 it became known that the American Export-Import Bank had refused to grant Italy a six months' loan to finance cotton imports. And at the end of the month it was learnt that British, French, and American banks had decided to restrict their credit lines to Italy.

Thus the Italian Government was compelled to adopt still sterner measures. On August 29 four further decrees were issued. The first provided for the obligatory cession of credits abroad, and the obligatory conversion of foreign securities, including Italian bonds issued abroad, into 5 per cent. Nine-Year Treasury Bonds. The second imposed a limit of 6 per cent. on company dividends, excess profits to be invested in

similar Bonds.¹ The third imposed a tax of 10 per cent. on bearer bonds. The fourth required all public service vehicles to be adapted for the use of substitute in place of imported fuels.

The immediate result was a violent slump in industrial shares (notably Fiat), evidently in anticipation of the effect of the fourth decree.

2. FOREIGN TRADE AND SELF-SUFFICIENCY

Mention has already been made of the one permanent bar to complete national economic self-sufficiency: the lack of certain essential raw materials, notably fuel, metals, and fibres. The following table shows the origin and quantity of the more important of these resources in the past three years.

*Imports into Italy*²
(In Thousand Quintals)³

	1932	1933	1934	Main sources of supply
Coal . . .	80,176	87,902	117,814	Great Britain, Germany, Poland
Coke . . .	7,605	7,715	9,523	Germany, France, Great Britain.
Petrol . . .	1,461	1,373	1,504	Rumania, U.S.S.R., U.S.A., Persia.
Benzine . . .	3,249	2,912	3,482	Persia, U.S.S.R., Rumania, Netherlands India.
Oil Residue . . .	8,345	10,807	11,225	Rumania, U.S.S.R.
Raw Cotton . . .	1,102	2,198	1,874	U.S.A., Egypt, British India and Ceylon.
Wool . . .	767	914	712	Australia, Argentina, South Africa.
Rubber . . .	155	197	218	British India and Ceylon, Nether- lands India.
Iron and Steel	5,681	7,711	9,002	France, U.S.A., Belgium, Swit- zerland.
Copper . . .	515	602	630	U.S.A., Chile, Portuguese Africa.
Tin . . .	38	40	42	Straits Settlements, Great Britain.
Nickel . . .	5	9	15	Great Britain, ⁴ U.S.A., ⁴ Norway, Germany. ⁴

This explains a considerable amount of the subsidization and public works expenditure. It is also the reason for Acts

¹ Companies which had paid dividends of over 6 per cent. in each of the preceding three years were, however, permitted to distribute dividends equal to the average of those years.

² Source: *Annuario Statistico Italiano*, 1935. ³ 1 quintal = 1.9684 cwt.

⁴ Re-exports.

such as the 1927 mining law, the foundation in 1926 of the *Azienda Generale Italiano Petrolio* for research into development of petrol production, the railway electrification scheme, and the 'battle of the grain'.¹ A recent development on the same lines is experimentation in the use of hempen fibres instead of or in union with cotton, for which the Cotton Institute has granted 1 million lire; another, the *Azienda Carboni Italiani* formed in August 1935 to 'develop the search for and the production and sale of national pit coal'; this body is to receive an annual state subsidy of 3 million lire.

Clearly metals are a hopeless case, for Italian soil can never produce them in any adequate amount. Moreover, to pay for importing them Italy must increase her exports; this in turn entails still further imports of certain raw materials which she cannot produce, but needs for the finished textiles and light industrial products which, with agricultural produce, form the bulk of her export trade.

The outlook for wheat and fuel is more hopeful, though in the case of the latter one must take a very long view. Wheat production has increased as follows:

	Million quintals ²	Quintals per hectare ³		Million quintals	Quintals per hectare
1909-14 .	49.3	10.4	1927 .	53.3	10.8
1928 .	62.2	12.5	1929 .	70.8	14.8
1930 .	57.2	11.9	1931 .	66.5	13.8
1932 .	75.3	15.2	1933 .	81.3	15.9
1934 .	63.4	12.3	1935 (est.)	76.0	15.2

If self-sufficiency were the only consideration, the wheat campaign must be accounted a success, for, assisted by a prohibitive tariff, import balances of wheat and wheat flour have fallen as follows:

Million quintals ⁴			
1925-6	1927-8	1929-30	1933-4
18.5	23.8	11.5	2.3

¹ See Signor Mussolini's statement quoted on p. 15, above.

² Figures from Mortara, *Prospettive economiche*, 1933; from *Annuario Statistico Italiano*, 1934; and from *The Times*, August 9, 1935.

³ Cf. the yield per hectare for other European countries (1928-32 average): Great Britain, 21.9; Netherlands, 29.5; Sweden, 21.3; Switzerland, 20.5; France, 20.5; figures from the International Institute of Agriculture.

⁴ Figures from Leith-Ross, *Memorandum on Agricultural Protectionism*,

Since present Italian cereal consumption is, by Professor Mortara's estimate, about 75·7 million quintals per annum, it would appear that Italy could in good harvest years satisfy her cereal needs, and might even in a succession of good years store against a rainy day. She is believed to have done this in 1932-3. But she is still not self-supporting in meat.

Unfortunately for advocates of self-sufficiency, considerations of cost and the effect of the policy upon the export trade and standard of living have also to be borne in mind. In the four years 1925-6 to 1928-9 the campaign cost lire 225,570,000.¹ The outlay would appear to have been badly timed, and therefore economically doubtful, in view of the fact that it coincided with (a) a world wheat surplus; (b) the years when international trade was on the up-grade; (c) the turn of the exchange in Italy's favour.

This meant that Italy could have imported wheat very cheaply; instead she chose to increase her costs, and to put her export trade, and therefore her balance of payments, into a worse position than before. Home production increased under the protective shelter of a tariff which the world slump in wheat prices in 1929 forced to a prohibitive level, with the following effect upon internal prices:

	<i>Lire per quintal</i>	
	1926	1932
Home-grown wheat price . . .	195	110
Imported wheat price ex duty .	156	49

The prospects of achieving self-sufficiency in fuel by means of hydro-electricity and oil production are far more remote, but with hydro-electric power, at least, the policy seems economically more sound than the wheat campaign in that it is the tapping of an immense national resource, as opposed to the artificial stimulus of a product for which other climates are more suited.

Home coal-mines yield at most half a million tons annually; the steady Government encouragement of the two alternative sources of power locally available has had the following results:

issued by the Economic Committee of the League of Nations (E. 873, 1935); summarized in the *Economist*, February 23, 1935, pp. 404-5.

¹ Figure from Italian Ministry of Agriculture's pamphlet on the campaign.

National production increase

	<i>Hydro-electricity</i> (million kilowatts)	<i>Petrol</i> (tons)
1908 . . .	1,098	5,000
1925 . . .	7,055	6,000
1933 . . .	10,723	27,000
1934 . . .	11,560	20,000

In spite of this advance coal imports persisted in a rise until 1929, and, though they fell steadily from 1930 to 1932, the rise again in 1934¹ tallies with the industrial production figures and indicates that reduced consumption was due rather to the bad crisis years than to the substitution of oil or electricity. Other considerations to be borne in mind are that some years may elapse before Italy can hope to find the capital equipment for widespread distribution of electricity; in the meantime in 1933 2.5 million kilowatts were produced in excess of demand. Moreover, the home petrol output is still a small proportion of the consumption figure—2 per cent. only in the peak year, 1933.² Production is also expensive, and here again a prohibitive tariff is necessary; for instance, a motorist in Istria finds it worth a long drive into the free port of Fiume to fill his tank, where he can purchase at the rate of about 1s. 5d. a gallon as opposed to about 3s. 7d. in Italy. But it is evident from the fourth of the Decrees published on August 29³ that the Government is still determined to reduce its dangerous dependence on foreign oil supplies.

Besides coal and oil, Italy has to import nearly all her cotton, wool, iron, steel, copper, lead, zinc, and manganese ore. For rubber, tin, nickel, tungsten, mica, and chromium she is completely dependent upon foreign supplies.

¹ See table, p. 32, above.

² The plans announced in the monthly Business Report of the Association of Corporations for May 1935 estimate an increase of production to 20 per cent. of consumption by distilling alcohol from sugar-beets grown on the newly reclaimed land round Littoria. The expected output is:

	<i>Hectolitres</i>
1936 . . .	500,000
1937 . . .	800,000
1938 . . .	1,000,000

³ See above, p. 32.

Industrial Production. The national development policy is not confined to the special campaigns already mentioned, but is operated throughout industry and agriculture. Its effects are best indicated by figures, and the following League of Nations general indices¹ of industrial production for a number of countries would seem to show that the Government's methods are enabling Italy to weather the world crisis, though they do not show the price at which this is achieved:

Industrial Production

	<i>Italy</i> ²	<i>France</i>	<i>Germany</i>	<i>U.K.</i>	<i>U.S.A.</i>
1928	100	100	100	100	100
1929	109.2	109.4	101.4	106.0	107.2
1930	100.3	110.2	87.1	97.9	86.5
1931	84.7	97.6	68.5	88.8	73.0
1932	73.0	75.6	54.0	88.4	57.7
1933	80.5	84.3	61.5	93.5	68.5
1934	88.3	78.0	80.9	104.7	71.2
Jan.	72.2	83.5	71.0	} 104.8	70.3
Feb.	77.3	82.7	75.0		73.0
Mar.	84.5	81.9	80.5		75.7
Apr.	86.9	81.1	79.4	} 104.6	76.6
May	89.5	79.5	81.2		77.5
June	85.7	78.0	81.2		74.8
July	91.7	77.2	82.4	} 100.5	68.5
Aug.	87.0	76.4	81.5		65.8
Sept.	93.5	74.8	84.9		64.0
Oct.	95.3	74.0	84.7	} 110.0	65.8
Nov.	94.8	74.0	84.7		66.7
Dec.	89.7	73.2	84.3		76.6
1935					
Jan.	92.5	73.2	85.0	} 111.1	82.0
Feb.	97.2	73.2	86.0		80.2
Mar.	104.0	73.2	92.0 ³		79.3
Apr.	106.7	73.2	94.7 ³	..	77.5
May	113.6	72.7	96.5 ³	..	76.6
June	102.1	72.4	95.2 ³	..	77.0

The *Rivista di Politica Economica*⁴ estimates that during the crisis years (1929-32) the proportion of world industrial production enjoyed by Italy rose from 3.2 to 3.4 per cent.

¹ Source: *League of Nations Monthly Bulletin of Statistics*.

² It is estimated that the following figures are comparable for earlier years:

1913 . . .	70	1923 . . .	61
1921 . . .	39	1926 . . .	97

³ Including the Saar.

⁴ 1933 volume, p. 803.

The figures for agricultural production are affected by weather, and are accordingly not so telling.

Balance of Trade. One of the chief advantages claimed by Fascist spokesmen for the policy of self-sufficiency and improved production is its improvement of the balance of trade:

Balance of Trade (official figures)

(in million lire)

	<i>Imports</i>	<i>Exports</i>	<i>Deficit</i>
1928	22,313	15,999	6,314
1929	21,665	15,236	6,429
1930	17,347	12,119	5,228
1931	11,643	10,210	1,433
1932	8,268	6,812	1,456
1933	7,413	5,980	1,433
1934	7,667	5,225	2,441
1935 (6 months)	3,803	2,422	1,381

Though the deficit has been markedly reduced, the reduction is only relative; the ratio of imports to exports is practically unchanged. On the other hand, the maintenance of a steady ratio should be noted in view of the strain placed upon the exporter by the overvaluation of the lira, exaggerated by its maintenance on gold after so many trade rivals had left it. In any case the shrinkage of foreign trade is not a phenomenon peculiar to Italy.

The effort to reduce imports is not all due to Government measures for the defence of the lira and the attainment of self-sufficiency; it is partly forced upon the country by the decline in certain invisible exports, particularly emigrant remittances and tourist traffic.¹ The latter has been seriously affected by the low rate of the Austrian exchange and by the German registered mark system. Among Italy's efforts to attract tourists in spite of the higher rate of her exchange are the 50 per cent. reduction on return fares from the frontier; the 70 per cent. reduction for visitors to the Fascist Exhibition 1934-5; and the 'special fiscal facilities' announced in May 1935, by which foreign tourists in cars brought by them temporarily into Italy can obtain petrol at a reduction

¹ See Appendix I.

of 40 to 80 per cent., according to the period passed in the country.

The national drive for the reduction of imports has so far scarcely affected the raw material situation already referred to, since between 1929 and 1933 imports of these declined only by 8 per cent.¹ It has fallen most heavily on food-stuffs and manufactures (imports of which are lower by 44 per cent. and 32 per cent. respectively).

Commercial Policy. The basis of present commercial policy is a continuation of this restriction of imports; this coincides, in recent decrees, with the campaign for the defence of the lira.

In the pre-crisis years Italy, alive to her lack of raw materials, adopted a policy of low tariffs and bilateral commercial treaties with as many countries as possible in order to arrange for a mutual reduction of barriers. Pursuit of self-sufficiency, however, necessitated tariffs and quotas, which, coupled with the retaliatory restrictions imposed during the slump, had reached a prohibitive level for some commodities, so that by the summer of 1935 Italy had one of the highest tariffs in the world. The resultant discrepancy between domestic and world prices has already been noted in the case of wheat; sugar has been similarly affected. Between the end of 1929 and the end of 1932 the price of Cuban sugar,² ex duty, fell in New York by 58 per cent., and by 25 per cent. duty paid; over approximately the same period Italian domestic sugar prices fell by about 5 per cent. wholesale and 6 per cent. retail.³

Commercial policy during the past year (spring 1934–summer 1935) has been characterized by a simultaneous development of quotas and barter.

Quotas. The quota system was built up in three main stages. Wool, coffee, copper, and oilseeds were restricted in April 1934; a series of decrees over the next ten months covered some thirty further commodities; finally, in February 1935 import licences were imposed for 1,500 classes of goods

¹ For nature and direction of trade, see Appendix III.

² League of Nations: *World Production and Prices*, Geneva 1933, p. 108.

³ See p. 42, below.

figuring on the adverse side of the trade balance, this control being still further tightened in June. Moreover, the decrees for the defence of the lira issued on December 8 and 19, 1934, had strengthened the Government's control of the import trade, for the Bank of Italy, in that it acquired control of foreign credits and foreign exchange, was placed in a position to confine imports to the categories of goods considered essential or desirable.¹

The drastic February decree aroused immediate protests in Great Britain owing to the importance of trade with Italy in certain of these commodities, notably coal (£5,500,000 in 1934). Indeed, Italy has hitherto been second only to France as a market for British coal. A provisional Anglo-Italian Trade Agreement was concluded on March 16, 1935, and revised at the end of April. While providing for a British quota amounting to 80 per cent. of the previous year's figure, this Agreement enacted that payment in sterling was to depend on the quantities of sterling exchange in the possession of the Bank of Italy, all receipts from Italian exports to Great Britain being earmarked for this purpose. By the end of August 1935 the payments awaiting transfer under this Agreement amounted to just under £2,000,000, owed chiefly to British coal exporters. The failure of the Agreement is in part attributable to its voluntary character, for the British importer of Italian goods is under no compulsion to make his sterling payments through the Bank of England.

It seems now to be the aim of the Italian Government to secure complete control over the origin as well as the nature and volume of imports. Of particular importance to British exporters was the establishment on August 1 of a Government monopoly designed to embrace all Italian purchases of pit coal, carbon, coke, copper, tin, and nickel.

Barter. In its efforts to improve the trade balance and to counteract retaliatory quota measures the Government has instituted special barter facilities, notably in the trade agreements with Poland (November 1933 and July 1934, where liners and motor-cars were exchanged for coal), with Turkey

¹ A special body responsible for supervising all transactions in foreign exchange was set up by a decree published on May 17, 1935.

(April 1934), with France (April 1934), and in the trilateral agreement with Austria and Hungary (May 1934). Barter terms were also arranged for German coal and Brazilian coffee. The stringent quota regulations of February 1935 apparently checked or threatened this barter flow, for their provisions were relaxed in order to allow it to continue. As a result, it is said,¹ of discussion in the Corporations, the President of the Institute for Foreign Trade published a circular letter in March 1935 permitting importers to exceed the quota quantities if they could connect the goods in question with an export transaction, whether direct or triangular.

The enforced scarcity of imports is no doubt an important cause of the pronounced rise in wholesale prices which has taken place this year.²

3. THE STANDARD OF LIVING

It is difficult to be categorical about Italian wage levels; conditions vary so much from district to district and from calling to calling that general indices tend to be very misleading indeed. A further difficulty is that the statistics vary even as between officially sanctioned sources; for instance, Professor Mortara, the Central Statistical Institute, and the *Official Gazette* Supplements show money wages as being fairly stable between 1927 and 1930, whereas Signor Biagi (later Under-Secretary for Corporations), writing in the *Corriere della Sera* on March 29, 1932, estimates the successive falls at 20 per cent. (1927-8), 10 per cent. (1929), 18-25 per cent. (November 1930).³ One has only to consult the Labour Court verdicts to realize that there were during these years

¹ *Economist*, March 30, 1935, p. 320.

² Index of Italian Wholesale Prices (1913 = 100):

1929 . . .	481	1935, January . . .	280
1930 . . .	411	February . . .	282
1931 . . .	342	March . . .	289
1932 . . .	310	April . . .	299
1933 . . .	283	May . . .	304
1934 . . .	276	June . . .	315

Source: *League of Nations Monthly Bulletin of Statistics*.

³ For details of these and other contradictions see Rosenstock-Franck, *op. cit.*, pp. 156-60.

heavy cuts in some categories, particularly in the export trades which had felt the effects of overvaluation of the lira.¹

After 1930 began the period of deflation by Government decree. That of November 18, 1930, enacted that 'salaries, wages, and emoluments of all kinds, pensions excepted, of all persons in the employ of the State, municipalities, provinces, public services and utilities, semi-official bodies, and occupational syndicates or unions' were to be reduced by 12 per cent. A few days later the two industrial confederations (employers and workers) announced that their two organizations had decided upon an 8 per cent. reduction. From then on reductions of varying size have been applied in all fields, culminating, in April 1934, in a cut in State salaries from 20 per cent. in the highest grades (Ministers) to 6 per cent. in the lowest.

A writer in the *Economist*² estimates the cumulative reductions at between 20 and 40 per cent. since the beginning of the depression. The International Labour Office hourly earnings index bears this out; covering mines, industry, and public services, it omits agriculture and the civil services, which are perhaps the two categories most seriously affected, and shows the following fall:

Hourly earnings (mines, industry, public services; skilled and unskilled)

1928	98	1933	84
1929	100	1934 March	83
1930	99	June	82
1931	90	September	81
1932	86	December	82

Cost of Living. As from the end of 1930 the Government simultaneously set about the reduction of other fixed money charges, notably rents and retail prices.³ It would appear

¹ Cp. details of collective disputes given by Rosenstock-Franck, pp. 192-203.

² 'What of the Lira?' *Economist*, December 8, 1934, p. 1096.

³ The I.L.O. index of the cost of its 'International Basket of Provisions' (14 articles) runs as follows:

<i>July 1929</i>	<i>Jan. 1930</i>	<i>July 1930</i>	<i>Jan. 1931</i>	<i>Oct. 1931</i>	<i>Oct. 1932</i>
100	103	94	96	84	83

Figures from *International Labour Review*, April 1933, p. 537.

that the 1931 orders were often contravened, but that as time went on, helped by Fascist syndical and party officials, the police, and the local government authorities, there was greatly improved organization of official control. Nevertheless there have been sufferers, and the difficulties have been enhanced by the self-sufficiency campaign and the resultant small fall in the price of certain staple food-stuffs, notably wheat and its products.¹

Real Wages. A warning has already been given against the misleading nature of averages. This applies particularly to real wage figures. The International Labour Office index² of hourly real wages (which, based on the hourly earning figures given above, again does not include the agricultural population, which forms 50 per cent. of the whole) shows a steady rise from 1929 (100) to 1934 (109). But to secure an index of real earnings from which to judge the general standard of well-being it would be necessary to adjust these figures in order to take into account a 320 per cent. rise in unemployment³ and the introduction of various short-time measures.

This last is an important factor. Even before the 40-Hour Week Agreement of October 11, 1934, the percentage of persons working under 48 hours had increased from 19 per cent.

¹ Retail prices of certain staple or imported food-stuffs in six Italian towns (lire per Kg.):

	Jan. 1930	July 1930	Jan. 1931	Oct. 1931	Oct. 1932	Oct. 1933	Oct. 1934
Macaroni	2.95	2.82	2.66	2.54	2.57	2.51	2.36
Olive oil	7.40	6.44	6.58	6.15	6.24	5.51	6.34
White Bread	1.99	2.00	1.90	1.63	1.80	1.74	1.46
Flour	2.28	2.33	2.22	2.00	2.00	2.00	1.72
Sugar	6.81	6.54	6.37	6.33	6.35	6.36	6.36
Coffee	29.84	33.21	31.93	30.83	30.74	30.75	29.58
Rice	2.13	1.76	1.33	1.60	1.71	1.61	1.53
Beef (home)	13.45	10.05	13.90	9.23	9.57	8.84	8.57
Pork (home)	12.74	14.46	10.13	9.28	9.41	9.67	9.10
Mutton	9.45	9.87	9.47	9.00	8.00	8.00	8.00

Figures from tables in *International Labour Review*.

² *International Labour Review*, May 1935, p. 743.

³ See p. 45 below.

in September 1933 to 27·8 per cent. in September 1934.¹ Since then further agreements for the reduction of hours have been put into effect in various industries.²

The reports from different parts of Italy and from Fascist and anti-Fascist sources vary so enormously that generalization is impossible. Undoubtedly prosperity has increased in certain areas—for instance, on the reclaimed lands—and has decreased in some others and among certain classes of the population; the special measures adopted by the Government for the relief of this distress are reviewed in the section on unemployment. Thus, while the official statistics and averages show that Italy has carried out theoretically almost perfect deflation, with wages and prices falling in close relation, the favourableness of the record has been counteracted by unemployment and short time, by the high cost of certain commodities, and by the present strain on Italy's finances and international trade relations.

In the past few months the situation has been radically altered by the intensive military preparations. Not only has the number of unemployed fallen by 300,000, but overtime rather than short time would now appear to be the rule in many factories. On the other hand, wholesale prices have recently shown a pronounced upward tendency, which will presumably soon be reflected in retail prices. The Italian cost of living indices are already definitely rising.³

¹ See *International Labour Review*, February 1935, p. 282.

² See *Industrial and Labour Information*, December 24–31, 1934, p. 400.

³ Italian cost of living index (1914 = 100):

1929 . . . 545	1934, January . . . 457	1935, January . . . 421
1930 . . . 530	February . . . 450	February . . . 423
1931 . . . 485	March . . . 448	March . . . 423
1932 . . . 468	April . . . 447	April . . . 425
1933 . . . 449	May . . . 424	May . . . 426
	June . . . 419	June . . . 430
	July . . . 420	
	August . . . 415	
	September . . . 416	
	October . . . 418	
	November . . . 421	
	December . . . 424	

Source: *League of Nations Monthly Bulletin of Statistics*.

Taxation. Two charges on earnings which must be borne in mind when reviewing the standard of living are the mounting level of taxation (which is estimated to have risen from an average of 20 per cent. of income in 1926 to 29 per cent. in 1933)¹ and the cash cost of the social services. This falls both on the worker's earnings and on the employer's budget, and is, in the *Rivista Bancaria* for December 1934, calculated as follows in a typical case:

	1933		1934	
	Masters	Men	Masters	Men
	per cent.	per cent.	per cent.	per cent.
Accident Insurance*	5.90	..	5.10	..
Social Insurance	2.49	2.48	2.54	2.53
Trade Union contributions . . .	0.58	0.33	0.64	0.33
Internal Mutual Insurance . . .	0.81	0.82	0.77	0.78
Contributions for social work . .	0.54	0.54	0.86	0.86
Contributions for housing	0.05	..	0.08	..
Holidays	1.73	..	1.84	..
Indemnity at discharge	0.76	..	0.80	..
Total :	12.86	4.17	12.63	4.50

* Perhaps a little high.

To bring these figures up to date a minimum of 1 per cent. must be added to each column in respect of the new national Family Allowance Fund set up under the 40-Hour Week Agreement of October 11, 1934, which is designed to supplement the wages of workers with large families when working reduced hours.²

Against these charges must be offset the material benefits derived from insurance and the social services. An outstanding development is the *Dopolavoro* organization—the National Institute for Workers' Leisure—which co-ordinates the spare-time activities previously only catered for, if at all, by advanced employers, private philanthropy, or the religious foundations. It organizes sports, education classes, sight-

¹ See *Foreign Policy Association Reports*, vol. x, no. 4, 'Italy in the World Crisis', January 30, 1935. See also speech by Signor Mussolini, p. 51 below.

² The fund consists of 1 per cent. of wages for a 40-hour week and 5 per cent. for all hours exceeding 40 in the week, together with an equal contribution from the employer. See *Industrial and Labour Information*, November 26, 1934, p. 255.

seeing, or village drama, and runs excursions at negligible cost, from day trips to a neighbouring town to ski tours or Mediterranean cruises.¹ It also provides medical and welfare facilities and an accident insurance service. Membership at a nominal fee is open to all, whether Fascists or members of syndicates or neither; the benefits offered are thus available to far larger numbers and in a far larger variety of fields than ever before. The funds for this purpose are forthcoming from membership subscriptions, from the proceeds of the events organized, and from a State subsidy. *Dopolavoro* has been criticized as a Fascist propaganda method; whether this is so or not in no way detracts from the well-being which it has brought to its members, particularly in the form of sport and collective life for the younger generation.

4. UNEMPLOYMENT

Mention has frequently been made of the extent to which the lira policy ignored the interests of the exporter; the price paid was increased unemployment, reflected in the sudden increase between 1926 and 1927.

	<i>Unemployment^a</i>		<i>Employment Indices^a</i>
	<i>Total</i>	<i>Partial</i>	
1926	113,901	11,938	..
1927	278,484	97,054	..
1928	324,422	38,457	..
1929	300,787	16,154	100
1930	425,437	23,408	93
1931	734,454	28,721	81.2
1932	1,006,442	33,468	70.5
1933	1,018,955	(June) 38,815 (July) 229,217	71.4
1934	963,677	..	72.1
1935, Jan.	1,011,711	..	79.4
Feb.	955,533	..	..
Mar.	853,189	..	83.2
April	803,054	..	..
May	755,349	..	..
June	638,100	..	..

¹ For statistics of all branches of these activities, see *International Survey of Social Services*, I.L.O. Geneva, 1933, pp. 414-54.

^a League and I.L.O. figures, recognized only to 'cover the majority' of

It would be hasty to draw conclusions from the slight rise in totally unemployed between 1927 and 1929; it is possibly due to improved registration. The rapid rise resulting from the world depression is clearly marked; the chief measure adopted to counteract it was an increase in the subsidy policy already adopted, which can with justice be regarded as a vast anti-unemployment measure. The pronounced fall in unemployment during 1935 is explained by the mobilization of a million men and the pressing demand for war supplies.

To those of the unemployed not assisted by the subsidy, public works, or (in 1935) military measures of the Government, the relief afforded is scanty. Unemployment insurance is compulsory for agricultural labourers working with machines and for factory workers. A considerable reserve fund has been accumulated as a consequence of the rates and duration of benefit being strictly limited and kept low relatively to contributions.¹ The fund is contributed entirely by men and masters and is intended only to relieve temporary seasonal unemployment.² This is also regulated, thanks to Government control of seasonal migration, particularly at harvest time. All contracts are fixed under the supervision of the central authorities, and workers are thus prevented from going to districts where there is no employment to be had.³ From all accounts the organization here has been most efficient. Chronic unemployment is partly dealt with by methods similar to the poor law out-relief in Great Britain, operated through the Party⁴ and the Trade Unions, partly by grants from the centre⁵ to depressed areas, but chiefly by spreading

workers. Source: till June 1933 Social Insurance Fund; since July 1933 Employment Exchange statistics, which are more complete and include seasonal unemployment and agricultural occupations.

¹ See I.L.O. *Report on Unemployment Insurance*, Geneva, 1933, p. 185 and table, p. 221.

² See Rosenstock Franck, *L'Économie corporative fasciste*, pp. 215-16.

³ *Ibid.*, pp. 221-3.

⁴ See *Il Lavoro Fascista*, December 2, 1934, for the Party's orders for the spring unemployment campaign.

⁵ Called 'Gifts from the Duce'; e.g. those to Bolzano, *Corriere della Sera*, March 21 and 22, 1934. It would appear that contributions by the trade union organizations of the Fascist Party are devoted only partly to local distress; a percentage is transmitted to head-quarters and distributed from there to needy areas.

employment through enforcing a shift system in industry,¹ paralleled to some extent in agriculture by the old system of *imponibile di lavoro*, or compelling the employment of a minimum number of hands on each farm.²

5. PUBLIC WORKS

But any easing of the unemployment situation³ is due not so much to these smaller schemes as to the subsidy policy, and in particular to its application in the field of land reclamation and public works. Both these last come under the subsidy head, for they are undertaken directly by the Government, by municipalities, or by groups supported with capital grants, Government loans, or legislative facilities. The vast outlay involved is dealt with elsewhere;⁴ there is speculation and controversy as to whether this is justified by the results: namely, the technical improvements and the absorption of perhaps 15 per cent. of the unemployed.⁵

The Land Reclamation Scheme (*Bonifica Integrale*) is the largest and most far-reaching branch of the public works policy, for it fills a double, if not a treble, role: the creation of employment, the abolition of malaria, and the provision of productive land on which to settle part of the surplus population. Land reclamation is nothing new in Italy, but existing works were consolidated and the whole programme enormously enlarged by the law of December 24, 1928.⁶ As the scheme stands at present the Government is committed to an expenditure of 9,000 million lire spread over the years 1930-73, with a peak outlay during the years 1944-59. The works involved include drainage, irrigation, agricultural improvements, internal land settlement, the erection of towns, villages, and farm buildings, road building, and the improve-

¹ Cf. Convention of October 11, 1934; see p. 42 above.

² See P. Albertario in *Giornale degli Economisti*, vol. for 1932, p. 925.

³ Prior to the 1935 fall caused by the East African expedition.

⁴ See pp. 58-9 below.

⁵ The estimate is that given for 1932-3 in *Foreign Policy Association Reports*, vol. x, no. 4, January 30, 1935. For a favourable review of the public works policy as a palliative, see M. Mitnitzky, 'Effect of Public Works on Unemployment', *International Labour Review*, October, 1934.

⁶ For a detailed summary see the *Nineteenth Century*, June 1933, 'Land

ment of existing land. Spectacular results are to be seen in the newly reclaimed Pontine province; the Pontine marsh scheme is so far the largest and most complete, but similar works are in process in other parts of Italy, Sicily, and Sardinia.

The schemes provide a part solution—small, it must be acknowledged, in proportion to the whole—to the present problem of unemployment and the future problem of population outlets. Congested areas are relieved by a transport of labourers—some only for the duration of the works, others permanently, to be followed by their families to the newly reclaimed land. In the five-year period 1929–33 temporary migrations for public works purposes gave employment to 1,171,222 workers (the 1934 figure adds 89,277), estimated to represent 90 million days' work and 1,100 million lire in wages.¹ Permanent settlement on reclaimed lands had between July 1930 and December 1933 provided homes for 1,420 families round Naples and Bari and 4,078 families (40,000 people) elsewhere, while 1,876 men accompanied by their families had been settled as road up-keep agents.

Reclamation in Italy', by Signora Rossetti Agresti. Schedule laid down by the Act of 1928:

<i>Nature of Work</i>	<i>Cost (millions of lire)</i>	<i>Time required from initial date (years) (1929–30)</i>	<i>Percentage of cost met by Government grants</i>	<i>Cost to Government (millions of lire)</i>
Drainage and accessory works . . .	4,500	14	68	3,060
Irrigation in S. Italy and islands . . .	300	14	42.5	204
Irrigation in N. and Central Italy . . .	500	8	40	200
Villages and farm buildings in S. and Islands . . .	500	8	27	340
Rural aqueducts . . .	200	7	75	150
Farm roads and water supply . . .	1,000	14	40	400
	7,000	..	..	4,354

¹ Report of Commissariat for Internal Migrations and Land Settlement, published April 1934. See *Monthly Business and Financial Report of Association of Italian Corporations*, May 1, 1934.

A distinction drawn between land development and the other forms of public works practised, on which even larger sums have been spent, is that the former are part of a national economic reorganization scheme, whereas the latter 'have been undertaken more in order to mitigate the social effects of the depression. . . . They are begun as required without a general plan in the regions where the depression is most severe, and consist mainly in the construction and up-keep of roads, railways, waterpower works, public buildings, &c.'¹ Where the benefits are predominantly local, a greater share of the cost is borne by local bodies, municipalities, private companies, or even private individuals.²

6. THE BUDGET

Difficulties of Analysis. In comparing the Italian budget figures over the period since 1922 it is necessary to make allowance for several factors, of which the following are the most important:

(1) There exists or have existed at some time in Italy various bodies³ which function autonomously with their own budgets. Sometimes the whole of the balance-sheets of these autonomous bodies, sometimes only their deficits or profits, have been shown in the national budget, thus arbitrarily swelling or diminishing the revenue and expenditure.

(2) Loans, war debts, and reparations have not been treated uniformly throughout the period.

(3) In 1926 1,800 million lire were voted and entered in the budget for economic reconstruction, defence, and debt amortization, but spent over a number of years under a variety of items which, however, do not appear in the official figures.

The State accountants have made an effort to straighten out the figures so that they should all be comparable on a

¹ M. Marcelletti (Office for International Labour Questions of the Ministry of Corporations) in the *International Labour Review*, September 1934, p. 334.

² See Dalton, *Unbalanced Budgets*, chapter on Public Works and their Finance, pp. 235-50.

³ The State railways, the postal, telegraphic, and telephone services, forests, the autonomous fund for amortization of internal debt, &c.

1929-30 basis. But Professor Repaci shows that the results of their efforts, though useful, are only a first approximation to complete accuracy.¹ In order to secure accurate figures for revenue and expenditure in 1922-3 and subsequent years, he finds it necessary to make certain further adjustments.

But figures in current lire, however correct, hardly show the real changes, for the lira has suffered vicissitudes in value, especially in the days of the inflation up till 1925, and in the subsequent deflation. It is interesting, therefore, to take the exceptional period until the stabilization in 1927 as the index 100, and to calculate the successive changes on that basis, but as their magnitudes appear when reckoned in pre-war gold lire. Column 2 of the table below shows this index of 'real' revenue, and column 4 the index of 'real' expenditure.

*Revised Budgets*²

(in million lire)

	<i>Revenue</i>	<i>Index based on values in pre-war lire</i>	<i>Expen- diture</i>	<i>Index based on values in pre-war lire</i>	<i>Difference</i>
1922-3	15,912		19,172		-3,260
1923-4	17,275	100	18,264	100	- 989
1924-5	19,641		18,202		+ 439
1925-6	20,201		18,107		+2,094
1926-7	20,564		20,964		+ 400
1927-8	19,284		131		19,481	134	- 197
1928-9	20,186	134	19,711	132	+ 475
1929-30	19,837	131	19,827	133	+ 10
1930-1	20,386	135	21,045	141	- 659
1931-2	19,324	126	23,282	143	-3,958
1932-3	18,207	118	21,829	143	-3,622
1933-4	18,046	118	24,504	163	-6,458
1934-5	17,662	..	20,636	..	-2,974
1935-6	17,988	..	19,645 ³	..	-1,657 ³

¹ In his book *La Finanza Italiana nel Ventennio, 1913-32*, pp. 34-60, he explains how and why the published budget figures must be rectified if the successive years are to be compared. See also his articles in *La Riforma Sociale*, May-June 1934, and March-April 1935.

² The figures for 1922-3 to 1933-4 are taken from Professor Repaci's articles in *La Riforma Sociale*; those for 1934-5 and 1935-6 are the preliminary official estimates.

³ These figures do not include any provision for the cost of the East African expedition.

Revenue. Though the revenue figures for 1933-4 were, in terms of current lire, the lowest since 1924-5, the index of 'real' revenue shows that in real value the revenue for 1933-4 was 18 per cent. above the average for 1923-7.

Since 1930-1 there has been a steady decline in revenue, which is shown both in the fall in the index of 'real' revenue from 135 in 1930-1 to 118 in 1932-3 and 1933-4, and in the reduction of the figure in current lire from 20,386 million lire in 1930-1 to 18,046 million lire in 1933-4. This decline has persisted, in spite of the increase in taxation and tariffs. This is only natural in view of the shrinkage of business during the world depression, exaggerated by the maintenance of the lira at the 1927 parity. But it is possible that the prohibitive level attained by taxation was itself responsible in some degree for the curtailment of production. Nor was the Government unaware that a halt must be called. As Signor Mussolini told the Chamber on May 26, 1934:

'I am the first to declare that the pressure of taxation has attained the limit, and that the Italian taxpayer must be given a breathing space of absolute tranquillity; if possible, his burden must be lightened.'

Expenditure. The decline in revenue has not been accompanied by a curtailment of expenditure; if anything, there has been a rise. Indeed, in 1933-4 expenditure totalled 24,504 million lire, as opposed to 21,829 million lire in the previous year. This particular rise was, however, entirely attributable to the extraordinary expenses incurred in connexion with the huge conversion operation of February 1934.¹

But though the sudden rise in 1933-4 can easily be accounted for, and actually considerably lowered the future cost of the national debt, there has, nevertheless, been a pronounced rise in the total of expenditure in recent years. This is particularly evident in the index figures of expenditure expressed in terms of pre-war lire (column 5 in the table of Revised Budgets on page 50).

¹ See p. 57 below.

The objects of the increased expenditure are revealed in the following table:

*National Expenditure*¹

(in million lire)

	1923-7	1927-8	1928-9	1929-30	1930-1	1931-2	1932-3	1933-4
Debt interest . . .	4,279	4,674	4,449	4,514	4,603	4,781	5,193	7,361
War expenses ² . . .	2,954	1,452	1,407	1,345	1,379	1,290	1,289	1,229
Railway subsidies . . .	100	..	..	..	..	198	603	800
General services . . .	366	470	383	395	410	1,524	710	562
Financial services . . .	1,756	1,986	1,838	1,834	2,192	1,896	1,758	2,589
Justiciary . . .	444	483	495	521	508	502	511	509
Military defence . . .	3,681	4,212	4,289	4,376	5,013	4,890	4,882	4,301
New roads . . .	339	175	290	335	300	641	225	216
Public works . . .	1,419	1,904	1,832	2,166	2,229	3,143	1,871	2,033
Economic develop- ment ³ . . .	557	652	658	742	757	936	1,101	1,235
Education . . .	1,321	1,395	1,394	1,441	1,495	1,597	1,760	1,764
Colonies . . .	465	638	494	526	490	441	464	456
Social services and relief . . .	141	145	166	167	163	167	182	212
Public worship . . .	72	91	825	213	207	82	76	80
Representatives abroad . . .	116	173	182	177	240	196	206	183
Police . . .	869	1,031	1,009	1,073	1,060	998	997	964
Total . . .	18,884	19,461	19,711	19,827	21,045	23,262	21,829	24,504

Further analysis of the items covered by the official headings shows that the rise in expenditure during the years of depression is primarily due to four factors:

- (1) Expansion of subsidies and public works.
- (2) Extraordinary Treasury expenses.
- (3) State assistance to local government finances.
- (4) Increased military expenditure.

(1) The subsidy and public works policy already described, though partly financed by the issue of annuities,⁴ has made considerable inroads upon the budget. The sudden rise in the cost of 'general services' in 1931-2 was mainly due to the loan of 800 million lire to the Liquidations Institute to lend or give to distressed industries. 'Railway subsidies' rose under that heading from nil in 1930-1 to 800 million lire in 1933-4. But they also appeared under the heading 'war

¹ See Repaci's articles in *La Riforma Sociale*, May-June 1934 and March-April 1935.

² Consisting chiefly of pensions. ³ See p. 53 below. ⁴ See p. 58 below.

expenses' in 1930-1, when 34 million lire were allocated for the reorganization of the Südbahn Railway, while they constitute a considerable part of the expenditure of 'economic development'.¹ This last heading also covers some of the shipping subsidies, and part of the expenditure under the land development scheme. Last, but not least, there is the expenditure of the Ministry of Public Works, which rose suddenly by 900 million lire in 1931-2. It is true that there was a still larger fall in the subsequent year, but this fall was only apparent. For in the Italian as in many continental budgets, revenue and expenditure are entered, not for the year in which they were actually collected or spent, but for the year in which they were authorized. In the case of Public Works, as a recent critical report signed by the *Rapporteur* of the Budget Committee points out, this system has been carried so far that of the actual payments made in the nine financial years 1925-34, no less than 45 per cent. was paid out of arrears authorized in previous years. In point of fact the large extra sums voted in 1931-2 were largely expended in 1932-3 and 1933-4, when actual payments amounted to 1,600 million lire, as compared with 1,450 million in 1931-2.

But though even the authorized expenditure (i.e. the preliminary estimates together with the supplementary estimates) bears little relation to the actual payments in any given year, the estimates do indicate the general trend of policy. Hence the reduction of the preliminary Public Works estimates for 1935-6 to the lowest figure since 1925-6,

¹ 'Economic development' includes:

(in million lire)

	1930-1	1931-2	1932-3	1933-4	1934-5
Subsidy to maritime services	250	279	263	262	265
Subsidy to railways under private concession	125	148	161	180	183
Agricultural development and grain	76	129	185	293	345
Aviation and air traffic development	65	78	78	74	74
Grants to mercantile marine	0	35	84	32	27

admitted by the Minister to be due to the necessity for going slow, is certainly significant.

(2) Management of the national debt is liable to involve sudden violent additions to the debit side of the budget. But these items, though large, are at least non-recurring. In 1930-1 there was a rise of 358 million lire under the heading 'financial services'; of this increase the cost of issue of Treasury bonds accounted for 217 million lire, the rest being due to amortization of internal debt. The great conversion of 5 per cent. Consols into 3½ per cent. redeemable debt, in February 1934, cost no less than 3,000 million lire,¹ which almost entirely accounts for the rise in total expenditure in 1933-4.

(3) The shifting of burdens from local to central finances is responsible for a large increase in expenditure since 1929. In 1930-1, 350 million lire were thus shifted; in 1931-2, 700 million lire. The latter sum appears partly under 'education', partly under 'general services', 150 million lire under the latter head having been used to wipe out local budget deficits.

(4) A notable increase of expenditure on military defence occurred in 1930-1, when there was a jump of 637 million lire. The East African expedition is causing a far larger rise. By the end of April it had already cost 620 million lire.² In the month of July an additional 375 million lire were expended.³

Budget Deficits. Declining revenues and mounting expenditures could only have one result—a series of budget deficits, amounting to 659 million lire in 1930-1, 3,958 in 1931-2, 3,622 in 1932-3, and 6,458 in 1933-4. Thus more than 25 per cent. of the total national expenditure⁴ in 1933-4 was unbalanced by revenue. In these four years a total deficit of 14,697 million lire was incurred; the Internal National Debt rose by 16·5 per cent.⁵ This rise showed little sign of abating, and by January 31, 1935, the debt had risen by a further 2,382 million lire in seven months. Moreover, these

¹ See p. 57 below.

² Statement by the Finance Minister in the Chamber on May 18, 1935.

³ Treasury Account for July.

⁴ Not including that financed by the issue of annuities.

⁵ See p. 56 below.

figures take no account of the increased liabilities on annuities incurred by the State during the depression.¹

It must not, however, be overlooked that there is a compensating feature of the deficits, in that much of the expenditure is not only abnormal, but may also in the long run be expected to be productive.

7. THE NATIONAL DEBT

Foreign Indebtedness. The strongest feature of the Italian national debt is the negligible proportion of foreign indebtedness. Apart from War Debts, the only direct foreign obligations of the Government are the 7 per cent. Morgan loan of 1925, of which \$82 millions are outstanding, and a very old 5 per cent. sterling loan of 1861, of which £1·3 millions are outstanding. The Government is also responsible for the foreign obligations of two official bodies: the Italian Public Utility Credit Institute with \$16½ millions of 7 per cent. bonds outstanding; and the Italian Credit Consortium for Public Works with \$15 millions and just under £1 million, also of 7 per cent. bonds, outstanding.²

The real total of foreign indebtedness is even smaller, for during the past few years Italians have taken the opportunity afforded by the depreciation of the dollar and of sterling to make considerable profitable purchases of Italian bonds originally issued abroad. But in spite of the relatively small cost of the foreign debt service, and Italy's unblemished record in the discharge of her foreign obligations, there has for some time been a decline in the price of sterling and dollar Italian bonds in London and New York. This presumably indicates apprehension abroad in view of the acute exchange difficulties with which Italy is wrestling, quite apart from the danger of vast expenditure on the East African expedition. Also, the Government's own sales should be remembered.

War Debts and Reparations. It is true that Italy owes considerable War Debts to the United States and Great

¹ See p. 58 below.

² The Government has also guaranteed the service of the 1925 S.V.E.A. Loan to Albania, and of the Italian *tranches* of the Austrian International Guaranteed Loans of 1933 and 1934.

Britain; but she is owed still more in Reparations, the aggregate of outstanding annuities being respectively \$3,572 millions and \$4,057 millions.¹ Italy has received no Reparations, and made no payments on her War Debt to Great Britain, since the Hoover Moratorium of 1931; and since December 1933, in common with all other debtor countries except Finland, she has made no payment on her American War Debt.

Internal Debt. Thus Italy's national debt is almost entirely an internal obligation.

The official figures for the internal debt in recent years are as follows:

Internal National Debt

(in million lire)

	<i>June 30, 1930</i>	<i>June 30, 1932</i>	<i>June 30, 1933</i>	<i>June 30, 1934</i>	<i>January 31, 1935</i>
Consols . . .	71,410	71,735	71,289	9,892	9,892
Redeemable . .	13,021	17,190	17,014	82,105	84,066
Floating . . .	3,671	6,647	8,912	10,625	11,046
Total . . .	88,102	95,572	97,215	102,622	105,004

There are two notable features about this table.

- (1) the sudden contraction of the consolidated, and expansion of the redeemable, debt in 1934; and
- (2) the steady increase in the floating debt since 1930.

As regards the first, the transfer of most of the debt from a consolidated to a redeemable basis was almost entirely due to the great conversion of nearly all the 5 per cent. Consols into 61,000 million lire of 3½ per cent. redeemable bonds in February 1934. Of the remaining 21,000 million lire of redeemable bonds, 17,000 consist of 9 year Treasury bonds, of which rather less than half were issued in January and November 1934.²

¹ Figures from Moody's *Manual of Investments, Governments and Municipals*, 1935.

² Kingdom of Italy Treasury Bond Issues:

1931 and 1932: 5 per cent. 9 year Treasury Bonds dated (lire 5,000 million) May 15, 1931, and (lire 4,000 million) April 1932.

1934: 4 per cent. 9 year Treasury Bonds dated 1934; outstanding June 30, lire 5,825 million.

1934: 4 per cent. 9 year Treasury Bonds (lire 2,000 million) offered November 1934.

The second feature, the rise in the floating debt, is due to the series of budget deficits and the desire to reduce the note circulation.

Conversions and New Issues. The official announcement that there were only 0·2 per cent. of refusals to convert in February 1934 did not pass without comment from critics of Fascist financial methods.

It was recalled that the issue, in November 1926, of 28,000 million lire of Consols to holders of one-year Treasury bonds amounted in effect to the exaction of a forced loan. Indeed, since that date the Government has only been able to borrow on short-term from official institutions.

But it seems equally clear that there was a genuine demand for the Treasury bond issues of 1931-2, and for the railway electrification issues (1,100 million lire) of May and July 1933, these latter having been assisted by the uncertainty concerning the future of the dollar.

With regard to the huge February 1934 conversion it is more difficult to judge. Considerable inducements were offered to converters: a bonus of 4½ per cent. in April 1934, and, for every 1,000 million lire of capital converted, 10 million lire of prize money awarded by chance drawing in December 1934. Besides, only six days were allowed for applications for redemption, which in any case could not take place till January 1, 1937. But holders were also made conscious that any such applications would be known to the Party authorities.

But though it may be difficult to decide just how far the February 1934 conversion was voluntary in character, there can at least be no question of the compulsory nature of the conversion of foreign securities into Italian bonds under the Decree of August 29, 1935.¹

Additional Government Liabilities. The official figures for the consolidated, the redeemable, and the floating debts do not give a complete account of the National Debt. A recent estimate in the *Economist*² puts the total 50 per cent. higher than the total of these items alone:

¹ See p. 31 above.

² February 23, 1935, p. 414.

Total State Liabilities

(in million lire)	
I. Consols	9,892
Redeemable debt	82,099
Floating debt	11,285
	103,276
II. Treasury current liabilities	798
III. Bank of Italy's credit	1,773
IV. Morgan loan	960
V. Miscellaneous liabilities	8,370
VI. Excess of overdue payments over overdue revenue	5,987
VII. Autonomous authorities' debt	1,184
VIII. Deferred payments' present value	30,000 to 32,000 ¹
	152,348 to 154,348
Total	

The largest and least certain additional item is the estimate for 'deferred payments' present value'. These 'deferred payments' are the secret of the Government's capacity, in spite of limited sources of revenue, to finance public works on an enormous scale since the War. They represent the Government's promise to pay annuities, on an average for ten years, but in some cases for as many as fifty. In the years before the acute phase of the world depression, an enormous debt was accumulated in this way. Whereas the annuities contracted for amounted in March 1924 to 6,500 million lire,² by the end of 1930 the total had risen to 65,400 million lire.³ The pace has since slackened, but by February 28, 1933, the State had contracted to pay no less than 74,315 million lire⁴ in the course of the next fifty years. This does not, naturally, represent a net addition to the capital value of the National Debt; in effect the 74,315 million lire are interest and amortization payments on a hypothetical capital estimated by the *Economist* at between 30,000 and 32,000 million lire.

The extensive use of 'deferred payments' is the main

¹ Estimated by the Minister of Finance in the Chamber on May 18, 1935, at 24,000 million lire.

² 'Conto del Tesoro', *Gazzetta Ufficiale*, March 29, 1934. No. 76.

³ Report of the Senate Finance Committee for 1931-2.

⁴ Report of the Senate Finance Committee for 1933-4. For allocation of funds see Appendix VI.

reason for the expansion of the public debt since 1922, estimated by the *Economist*¹ as follows:

Total State Liabilities

(in million lire)

	1922	1934
Other debts	97 to 101	122·3
Deferred payments' present value	3 to 4	30 to 32
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>
	100 to 105	152·3 to 154·3

This large expansion in the public debt has, of course, been accompanied by an increase in public assets. This point was emphasized by the Minister of Finance on May 18, 1935, when he stated in the Chamber that the increase in the public debt since 1922 of 31,295 million lire² was almost balanced by State capital expenditure since that date of 29,126 million lire. But, as has been pointed out,³ this fails to take into account the considerable fall in prices since 1926, which has not only increased the real burden of the debt, but must also have lowered the value of the assets. Moreover, judged on a purely economic basis the various public works cannot in all cases be regarded as a profitable investment, since the return is uncertain and seldom such as would satisfy the private investor.

Though, therefore, the considerable expansion of the State's liabilities since 1922 by no means represents a dead-weight addition to the public debt, it is not possible to estimate the value of the assets created solely on the basis of their cost. It must always be borne in mind that expenditure on public works and subsidies has not been undertaken entirely on economic grounds.

¹ February 23, 1935, p. 414.

² He estimated the present value of deferred payments at 24,000 million lire, and overlooked the other items which the *Economist* estimate adds to the official Internal Debt figures. See p. 58 above.

³ *Economist*, May 25, 1935, p. 1187.

APPENDIX I
ITALY'S INTERNATIONAL BALANCE OF PAYMENTS¹
(in million lire)

	1929		1930		1931		1932		1933	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Commodities	15,236	21,665	12,119	17,346	10,209	11,643	6,811	8,257	5,939	7,392
War Debts, Interest, Divi- dends and Commissions . . . . .	..	1,050	..	1,000	..	900	..	500	..	..
Freight and Shipping	1,690	555	1,475	480	700	net	500	net	..	..
Tourist Expenditures	2,418	316	2,200	270	1,380	195	1,000	170	1,302	..
Emigrant Remittances	2,350	230	2,020	200	1,570	net	910	net	..	..
Reparations in Money	231	..	525	..	275	..	none	..	none	..
Government International Account	200	..	180	..	}200	..	}150	..	..	..
Other Items	220	..	220	..						
Gold	10	242	8	107	17	361	15	90	75	1,338
Totals	22,355	24,058	18,747	19,403	14,351	13,099	9,386	9,017	..	..
Net Balance	-1,703		-656		+1,252		+369		..	..

¹ Figures from Professor Gino Borgatta's 'Bilancia dei Pagamenti-Cambio', *Trattato Elementare di Statistica* (Milan, Giuffrè, 1933), vol. iv and v. Professor Borgatta's figures up to 1930 are given in the League of Nations' Publication, *Balances of Payments* (1933).

APPENDIX II
FOREIGN TRADE BY MONTHS¹ 1931-5
(in million lire)

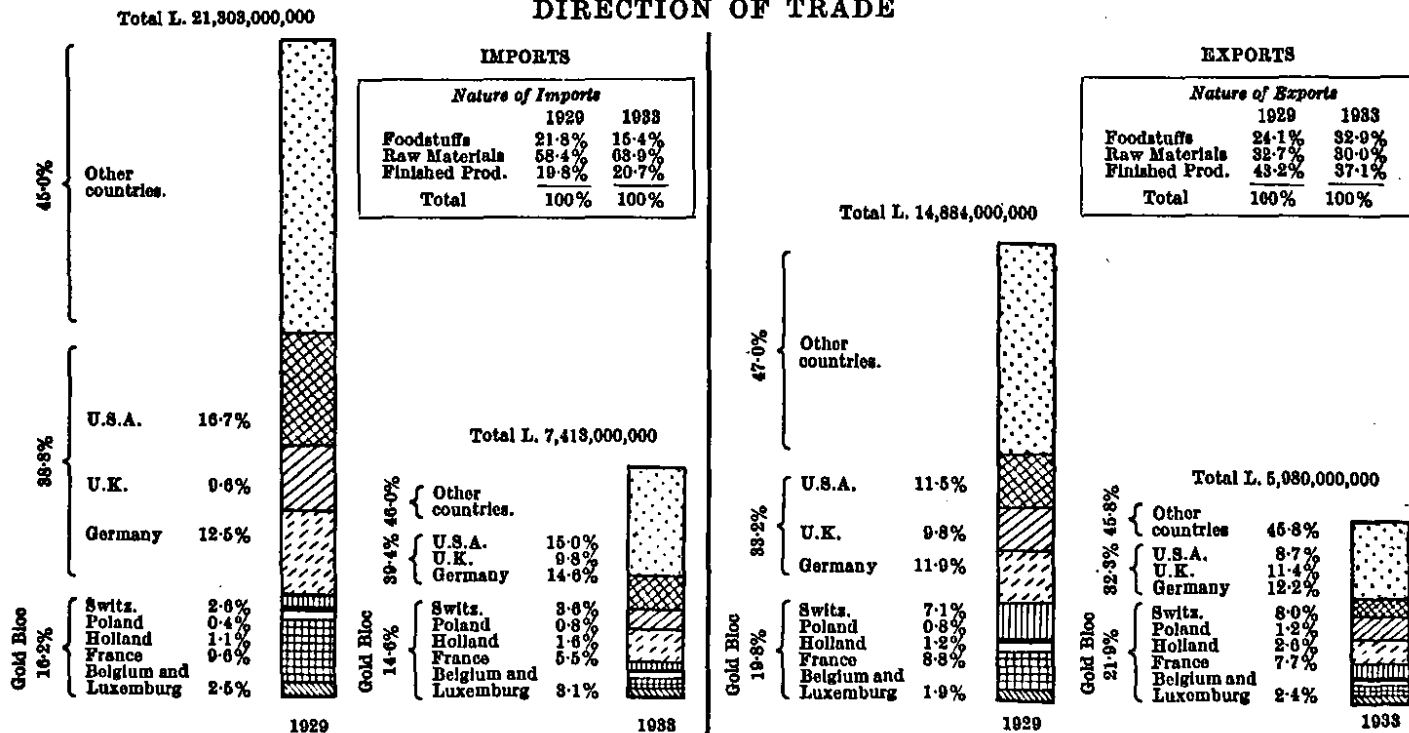
	<i>Imports</i>	<i>Exports</i>	<i>Balance</i>
1931 January	1,025-0	691-0	-334-0
February	1,032-0	851-0	-181-0
March	1,027-0	828-0	-199-0
April	1,084-0	806-0	-278-0
May	1,069-0	815-0	-254-0
June	1,392-0 ^a	1,075-0 ^a	-317-0
July	785-0	652-0	-133-0
August	853-8	817-0	- 35-4
September	837-0	876-5	+ 39-5
October	793-0	827-9	+ 34-9
November	766-4	804-9	+ 38-5
December	960-5 ^a	996-5 ^a	+ 36-0
1932 January	732-0	525-3	-206-7
February	740-6	615-5	-125-1
March	734-4	538-4	-196-0
April	785-8	540-4	-245-4
May	753-5	541-8	-211-7
June	979-7 ^a	708-0 ^a	-271-7
July	544-7	455-5	- 89-2
August	523-9	529-2	+ 5-3
September	549-7	560-1	+ 10-4
October	554-2	585-3	+ 31-1
November	585-3	597-7	+ 12-4
December	773-3 ^a	613-9 ^a	-159-4
1933 January	668-1	452-6	-215-5
February	605-1	476-2	-128-9
March	654-3	564-1	- 90-2
April	604-8	486-5	-118-3
May	592-1	510-1	- 82-0
June	794-3 ^a	636-3 ^a	-158-0
July	504-6	430-8	- 73-8
August	530-7	458-2	- 72-5
September	582-5	463-6	-118-9
October	588-4	515-8	- 62-6
November	577-9	478-3	- 99-6
December	709-8 ^a	507-2 ^a	-202-6
1934 January	643-0	405-1	-237-9
February	687-6	409-8	-277-8
March	676-0	456-5	-219-5
April	639-8	406-7	-233-1
May	621-1	435-6	-185-5
June	812-6 ^a	540-7 ^a	-271-9
July	486-5	369-0	-117-5
August	516-7	410-5	-106-2
September	563-8	385-0	-178-8
October	624-3	447-5	-176-8
November	632-8	428-7	-204-1
December	762-4 ^a	530-2 ^a	-232-2
1935 January	620-8	376-9	-243-9
February	626-0	390-8	-235-2
March	670-2	392-1	-278-1
April	651-3	424-2	-227-1
May	552-9	380-4	-172-5
June	681-8 ^a	407-4 ^a	-274-4

^a Annual trade figures since 1928 are shown on page 37 above.

¹ Source: *League of Nations Monthly Bulletin of Statistics*.

² Parcel post for six months included.

APPENDIX III. ITALY DIRECTION OF TRADE



Source: League of Nations, Economic Committee: *Essential figures on trade of Gold Bloc countries.* E. 507. Geneva, March 8, 1935.

APPENDIX IV

BANK OF ITALY'S POSITION

A. Reserves

The legal minimum cover of 40 per cent. was temporarily suspended by the
Decree of July 23, 1935.

(in million lire)

	<i>Gold at home¹</i>	<i>Foreign assets</i>	<i>Ratio of reserves to notes and sight liabilities</i>
End of 1928 ²	5,052	6,008	55-76
1929	5,190	5,151	54-71
1930	5,297	4,327	53-21
1931	5,626	2,170	47-87
1932	5,839	1,305	46-72
1933	7,092	305	49-87
1934 January	7,099	274	48-78
February	7,105	83	49-80
March	6,874	44	48-54
April	6,840	40	47-30
May	6,667	35	45-82
June	6,468	34	45-92
July	6,362	37	43-58
August	6,343	37	43-55
September	6,213	27	42-43
October	6,071	28	42-38
November	5,840	26	41-27
December	5,811	72	41-29
1935 January	5,822	82	41-88
February	5,824	50	42-44
March	5,825	52	41-89
April	5,827	53	42-00
May	5,829	54	41-55
June	5,589	295	41-60
July	5,257	355	37-21
August (20th)	4,902	430	35-61

B. Note Circulation

(in million lire)

1925 December 30	19,349	1934 October 30	13,251
1927 " "	17,992	November 30	13,162
1929 " "	16,774	December 30	13,145
1933 " "	13,243	1935 January 30	12,787
1934 April 20	12,420	February 28	12,634
" 30	12,987	March 30	12,894
May 30	12,869	April 30	12,891
June 30	12,888	May 30	12,877
July 30	13,330	June 30	13,028
August 30	13,194	July 31	13,856
September 30	13,455	August 20	13,707

Figures from Bank of Italy's Returns and League of Nations Statistics.

¹ The Bank Return regularly shows 1773 million lire of Gold Deposited Abroad. This represents gold which was deposited in London in 1915 by the Bank on behalf of the Government as security for the war credits raised in Great Britain. In the Anglo-Italian Agreement of January 27, 1926 (Cmd. 2580) it was provided that this sum should be repaid in instalments by 1937, provided that the instalments on Italy's War Debt to Great Britain were regularly paid. Thus no payment to Italy has been due since the Hoover Moratorium and the Lausanne Agreement.

² In previous years the value of the reserve was estimated in terms, not of 'current', but of pre-War gold lire.

APPENDIX V
LOANS FLOATED ABROAD BY ITALIAN COMPANIES
AND PUBLIC BODIES, 1925-34

(in million lire)

	<i>Long Term</i>	<i>Up to 5 years</i>	<i>Total</i>
1925	10.0	..	10.0
1926	55.2	9.4	64.6
1927	144.6	24.3	168.9
1928	19.2	13.1	32.3
1929	5.0	1.2	6.2
1930	11.5	..	11.5
1931	10.0	..	10.0
1932	0.656	..	0.656
1933	0.231	..	0.231
1934	..	..	..

Figures from *Annuario Statistico Italiano*, each issue of which gives details of the loans for the preceding year.

APPENDIX VI
ANNUITIES CONTRACTED FOR BY THE STATE OVER
THE PERIOD 1932-3 to 1986-7 AS ON FEBRUARY 28, 1933

Allocation by Ministries

(in million lire)

	<i>Ordinary</i>	<i>Extraordinary</i>	<i>Total</i>
Ministry of Finance	16,466	663	17,129
Foreign Affairs	3	20	23
Colonies . . . . .	..	3	3
National Education	2,986	..	2,986
Department of Interior	114	1,367	1,481
Public Works	10,757	3,169	13,926
Communications: railway construction and subsidies	8,370	477	12,290
Communications: shipping subsidies	3,443		
War . . . . .	..	2,144	2,144
Navy	820	662	1,482
Air	459	69	528
Agriculture and Forests	5,556	12,230	17,786
Corporations	396	117	513
Highways	1,765	204	1,969
Post Office	12	145	157
State Monopolies . . . . .	..	63	63
Telephones	6	156	162
State Railways	90	1,584	1,674
Total	51,243	23,073	74,316

Figures from: F. A. Repaci, *La Finanza Italiana nel Ventennio 1913-32*, p. 311.

Information Department Papers, No. 16.

**ABYSSINIA
AND
ITALY**

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THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS

CHATHAM HOUSE, ST. JAMES'S SQUARE

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1935

INFORMATION DEPARTMENT PAPERS.

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PART I. HISTORICAL

I. PRE-WAR RELATIONS.

CONSOLIDATION OF THE ABYSSINIAN EMPIRE.

The Italians first established themselves in what is now Eritrea by a purchase of land from the local sultan in 1869, and on the Benadir coast (now Italian Somaliland), on territory formally leased from the Sultan of Zanzibar, in 1892.

The Italian settlement in Eritrea lay close enough to the lands controlled by the Emperor John of Abyssinia (formerly Ras of Tigre) to cause him profound resentment at any Italian attempts to push towards healthier lands in the interior.

The first friendly relations between Italy and Abyssinia date from the accession of Menelik, King of Shoa, to the Abyssinian Empire in 1889. An outstanding figure in African history, Menelik was the first ruler to establish undisputed authority over the local Rases, a process which continued until his breakdown in health in 1908. Several factors contributed to his success in achieving an independent Empire: his dominant personality, the dignity of membership of the House of Solomon, the excellence of the Shoan army and the prestige he acquired in his victorious struggle with Italy.

Treaty of Ucciali, 1889

The Italians had supported Menelik's bid for the throne, and on his accession he entered into relations with them with a view to defining his position. The negotiations culminated in the signing of the Treaty of Ucciali in 1889.¹ Controversy has since arisen over the provisions of this treaty, for apparently the Italian and Amharic texts were not identical. But in the Italian text, at any rate, Italy acquired a virtual protectorate, for under its terms Menelik consented to "avail himself of the Italian government for any negotiations which he may enter into with other Powers or Governments." Meantime, the Italians advanced into Tigre, and it became obvious that their aims were likely to clash with Menelik's determination to maintain independence. Menelik, therefore, in 1893 denounced the Treaty of Ucciali to the Powers.

Adowa, 1896

The Italian advance continued; the effect in Abyssinia was to consolidate Menelik's empire as never before, and in March, 1896, an Italian force of 14,500 men was completely defeated by some 100,000 Abyssinians at the battle of Adowa. Many

(1) See Hertslet, *Map of Africa by Treaty*, p. 454, in which are to be found the texts of all relevant treaties up to and including 1908.

of the prisoners taken were held for over a year, and stories of the mutilation of these captives are still current in Italy.

1896-1908 :
Consolidation of an independent State

The Peace Treaty signed at Addis Ababa in 1896¹ annulled the Treaty of Ucciali, and Italy recognised the absolute independence of Abyssinia.

Menelik spent the next twelve years subduing surrounding tribes and consolidating his frontiers with foreign Powers. Ras Mangasha (Tigre) and Ras Makonnen (Harrar) had both fought willingly with him against the Italian menace, but the former at least proved less tractable once the war was over. Nevertheless, Menelik succeeded in subduing him, as well as the tribes of the west and south as far as the frontiers of the Sudan on the one hand and the Ogaden district on the other. He also co-operated with British troops in the campaign against the Mad Mullah.

It was during this period that Menelik granted a large measure of autonomy, in return for an annual tribute and military contingent, to certain tribes which had helped him, notably those from Jimma territory. He also fixed his frontiers (which from that time remained as they are to-day apart from one or two slight modifications) with Great Britain, France and Italy, the three Powers controlling between them all the territory adjacent to Abyssinia.

FOREIGN INTERESTS.

Menelik's European neighbours lost no time in seeking openings for commercial development.

The French Railway Concession

A French syndicate in 1894 obtained a 99-year concession for a railway from Jibuti to Harrar and, between 1896 and 1902, built 306 kilometres of railway, of which 90 kilometres lay in French Somaliland. But the capital of the *Compagnie Impériale des Chemins de Fer Ethiopiens* proved insufficient, and recourse was had to British investors.² This roused the French Colonial party, which urged the Government to intervene, and brought about a convention (February 6, 1902) between the French Government and the Company,³ granting a subsidy of 500,000 francs per annum for fifty years. When this came to Menelik's ears he was incensed that a concession granted for commercial purposes should so pass within the control of a foreign government. He therefore refused to sanction the new proposal. In 1904, however, he authorised the Company⁴ to continue the railway

(1) See Hertslet, *op. cit.* (subsequently referred to as "Hertslet"), p. 458.

(2) See Gilmour, *The Ethiopian Railway and the Powers*, London, 1906.

(3) French Law of April 6, 1902.

(4) See Hertslet, p. 444.

to ADDIS ABABA, and construction took place between 1909 and 1917, the whole length of the line (metre gauge) measuring 766 kilometres. The final arrangement, agreed on by the British, French and Italians in the Tripartite Agreement of 1906, was that a French company should complete and control the line to Addis Ababa, and that lines should in the future be constructed from there to the Sudan under British auspices and to Eritrea or Italian Somaliland under Italian auspices.

Anglo-Italian Agreements, 1891 and 1894

In the meantime the British and Italian Governments were interested in the possibilities of the hinterland, and in 1891 and 1894 signed three agreements¹ defining their respective spheres of influence. Almost the whole of Abyssinia was recognised as belonging to the Italian sphere; this was appropriate under the Treaty of Ucciali, still in force when the first two agreements were signed. The third agreement, that of 1894, was unaffected by Menelik's unilateral denunciation of Ucciali in the previous year.

Concessions to Great Britain, 1902

But an Anglo-Abyssinian Boundary Treaty of May, 1902² gave Great Britain certain rights within this Italian sphere. The Abyssinian Government engaged:

- (1) Not to permit any construction which would divert the Blue Nile, Sobat, or Lake Tana waters from their normal course to the Nile.
- (2) To lease a site for a trading station (later fixed at Gambela).
- (3) To reserve to Great Britain the right to build a railway through Abyssinian territory connecting the Sudan with Uganda.

The Tripartite Agreement, 1906

The whole question of spheres of influence, by now somewhat confused, was raised once more in Article IV of the Tripartite Agreement of 1906,³ signed between Great Britain, France and Italy and reluctantly accepted by Menelik,⁴ subject to the understanding that Abyssinia's sovereign rights were not prejudiced. This treaty guaranteed to maintain the *status quo* as defined in existing boundary and other treaties, among those mentioned being the Anglo-Italian agreements of 1891 and 1894, which were thus recognised as still valid.

The Powers bound themselves to non-intervention in internal affairs:—

“Article III. In the event of rivalries or internal changes in Ethiopia, the Representatives of France, Great Britain and Italy shall observe a neutral attitude, abstaining from all intervention in the internal affairs of the country, and confining themselves to such action as may be, by common consent, considered necessary for the protection of the

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- (1) See Hertslet, pp. 948-951 with two maps.
 - (2) See Hertslet, p. 431.
 - (3) See Hertslet, pp. 440-444.
 - (4) In a Letter of December 4, 1906.

Legations, of the lives and property of foreigners, and of the common interests of the three Powers. In no case shall one of the three Governments interfere in any manner whatsoever, except in agreement with the other two."

Article IV supplied the following solution to the question of spheres of influence :—

" MAINTENANCE OF INTEGRITY OF ETHIOPIA "

" In the event of the *status quo* laid down in Article I being disturbed, France, Great Britain, and Italy shall make every effort to preserve the integrity of Ethiopia. In any case, they shall concert together, on the basis of the Agreements enumerated in the above mentioned Article, in order to safeguard :—

(a) The interests of Great Britain and Egypt in the Nile Basin, more especially as regards the regulation of the waters of that river and its tributaries (due consideration being paid to local interests), without prejudice to Italian interests mentioned in paragraph (b) ;

(b) The interests of Italy in Ethiopia as regards Erythræa and Somaliland (including the Benadir), more especially with reference to the hinterland of her possessions and the territorial connection between them to the west of Addis Ababa ;

(c) The interests of France in Ethiopia as regards the French Protectorate on the Somali Coast, the hinterland of this Protectorate and the zone necessary for the construction and working of the railway from Jibuti to Addis Ababa."

This agreement, one of the most important diplomatic instruments affecting Abyssinia, remains in force to-day.

FRONTIER SETTLEMENTS.

Menelik consolidated his frontiers by the following treaties :—

March 1897	Treaty with France regarding French Somaliland frontier.	Text in Hertslet p. 421
May 1897	Treaty with Great Britain (Rennell Rodd Treaty ; amity and commerce with supplementary frontier agreement) regarding British Somaliland frontier. This left Harrar and Ogaden in Abyssinia but afforded British Somaliland tribes moving inland in search of pasturage the right to use certain wells and grazing grounds in those provinces.	p. 423
1897	Agreement with Italy regarding Italian Somaliland frontier. (Never published but mentioned in the frontier treaty of 1908).	—
July 1900	Treaty with Italy regarding Eritrean frontier.	p. 460
May 1902	Treaty with Great Britain regarding Sudan frontier.	p. 431
May 1902	Treaty with Great Britain and Italy regarding Sudan-Ethiopia and Sudan-Eritrea frontiers.	p. 433

Dec. 1907	Agreement with Great Britain regarding British East African frontier.	Text in Hertslet p. 445
May 1908	Convention with Italy regarding Somaliland frontier.	p. 1223
May 1908	Convention with Italy regarding Eritrean frontier.	p. 1225

These treaties, particularly those with Italy, have figured in the discussions arising out of the present dispute. The complications of those of 1897 and 1908, governing the Italian Somaliland frontier, are discussed in a later section.

But attention has also been drawn to the treaty negotiated in 1897, and signed in 1900, governing the Eritrean boundary, in connection with Italian complaints of Abyssinian pressure on the coastal colonies as part of a drive towards the sea¹. Emphasis has, however, recently been laid on the fact that, had Abyssinia had such designs, she could have taken far greater advantage of her victory at Adowa. As it is, Menelik has been criticised in Abyssinia for his generosity² in allowing the Italians to retain the portion of the Abyssinian high plateau which they had held before the war of 1896, possession of which renders their Eritrean colony both defensible and habitable.

2. THE INTERNATIONAL STATUS OF ABYSSINIA.

1913-1934.

*Internal
Affairs*

After Menelik's death in 1913, Abyssinia was plunged into internal disorders caused by the conversion to Islam of the new Emperor Lij Jasu. During these turbulent years the Great War accounted for a respite from outside interference, the Powers being fully occupied elsewhere. After much fighting, Lij Jasu was deposed in September, 1916, and, from that year until her death in 1930, Menelik's daughter Zauditu nominally ruled the Kingdom, with Ras Tafari, a son of Ras Makonnen and Governor of Harrar province, as Regent and heir to the throne.

*Admission to
the League
of Nations*

The attention paid at the time of the Peace Settlement at Paris to humanitarian questions, among them the arms traffic and the slave trade, focussed attention on the old question of Abyssinian independence and, fearful lest some foreign Power might take advantage of an opportunity to carry out expansionist designs, the Abyssinian Government in 1923 somewhat abruptly applied for admission to the League of Nations.

(1) For a map illustrating this Italian contention see *Corriere della Sera*, May 21, 1935.

(2) Described by Mr. Wickham Steed in a letter to *The Times*, July 22, 1935.

Before its adoption by the Assembly on September 28, 1923,¹ unanimously by 45 votes, the application had given rise to some discussion in the Sixth Committee.² A sub-committee of seven (the British Empire, Finland, France, Italy, Latvia, Persia and Rumania) reported that the following conditions of admission were fulfilled :—

(1) The request was in order as to form.

(2) Abyssinia's sovereignty was recognised, as she had concluded treaties with several Powers.

(3) The country possessed a stable Government and well defined frontiers.

(4) "The sub-committee, although it found itself unable to determine exactly the extent of the effective control of the central authority over the provinces remote from the capital, is of opinion that Abyssinia is fully self-governed."

(5) With regard to fulfilling international engagements, the sub-committee "cannot state that her engagements have always been strictly fulfilled in the past." Nevertheless, it recommended that "in order to assist Abyssinia to overcome the difficulties which may in the past have been the obstacles to such fulfilment" the admission should be made subject to the signature of the following declaration :—

"The Empire of Abyssinia, following the example of other sovereign States which have given special undertakings on the occasion of their admission to the League of Nations makes the following declaration :

1. Abyssinia adheres to the obligations formulated in Article 11, paragraph 1, of the Convention signed at Saint-Germain-en-Laye on September 10, 1919, amending the General Act of Berlin dated February 26, 1885, and the General Act and Declaration of Brussels dated July 2, 1890.

2. Abyssinia, recognising as binding the system at present established with regard to the importation of arms and ammunition, undertakes to conform to the principles set forth in the Convention and Protocol signed at Saint-Germain-en-Laye on September 10, 1919, and in particular to the stipulations contained in Article VI of the said Convention.

3. Abyssinia declares herself ready now and hereafter to furnish the Council with any information which it may require, and to take into consideration any recommendations which the Council may make with regard to the fulfilment of these obligations, in which she recognises that the League of Nations is concerned."

The discussions in the Sixth Committee revealed two schools of thought ; the one, in which Great Britain, Switzerland and Australia were prominent, felt that there was need, before admission, for a thorough enquiry into Abyssinia's capability of fulfilling her undertakings. The other, led by France and Italy, contended that admission would pave the way to the abolition of slavery, and that the best means of strengthening the

(1) See League of Nations : Records of Plenary meetings of the Fourth Assembly, pp. 124-5.

(2) See Minutes, pp. 12-21, and annexes 3-5, pp. 33-35.

Abyssinian Government was to admit it to the League. The Italian delegate further argued that no special stipulations need be made with reference to the import of arms.¹

The second view carried the day, and upon signature of the declaration, Abyssinia became a member of the League of Nations.

*Promises to
Italy during
the Great
War, 1915*

In spite of the marked support which the new Fascist Government in Italy gave to the Abyssinian application, its predecessors, the war and post-war Governments, had clearly not given up hope of expansion in Africa. Great store was set by Article XIII of the secret Treaty of London,² on the strength of which Italy had broken with the Triple Alliance and joined the Allies:—

“ In the event of France and Great Britain increasing their colonial territories in Africa at the expense of Germany, those two Powers agree in principle that Italy may claim some equitable compensation, particularly as regards the settlement in her favour of the questions relative to the frontiers of the Italian colonies of Eritrea, Somaliland and Libya, and the neighbouring colonies belonging to France and Great Britain.”

*Anglo-
Italian
Negotiations
during the
Peace Con-
ference : 1919*

In November, 1919, as “ part of a wider negotiation of a colonial character ” arising out of the above article, the Italians proposed to the British Government :*

(a) That Italy should support Great Britain's claim for a concession to carry out works on a barrage on Lake Tana, “ within the Italian sphere of influence, pending the delimitation of the extent of the territorial zone to be recognised as pertaining to Great Britain in respect of the latter's predominant hydraulic interests.”

That Italy should also support a British claim to construct a motor road from Lake Tana to the Sudan.

(b) That in return Great Britain should support an Italian claim to a concession for a railway connecting Eritrea and Somaliland and running to the west of Addis Ababa.

(c) That Italy reserved to herself all rights in the Italian zone.

It later transpired that this “ offer was not entertained at the time, chiefly owing to the strong objection felt to the idea of allowing a foreign Power to establish any sort of control over the headwaters of rivers so vital to the prosperity and even to the existence of Egypt and the Sudan.”⁴

*The Treaty
of London
imple-
mented :
1919-1935*

Italy's disappointment over her acquisitions under the Treaty of Versailles is well known; contrary to her expectations all the former German colonies in Africa fell into the hands of Great

(1) Statement by Count Bonin Longare (Italy) at the fourth meeting of the Committee. See Minutes, p. 13.

(2) Signed on April 26, 1915, between Great Britain, France, Russia and Italy, British White Paper, Cmd. 671.

(3) Text quoted in Note from Great Britain to Italy, December 14, 1925, in *League of Nations Official Journal*, November, 1926, p. 1519.

(4) *Op. cit.*

Britain, France and Belgium. In fulfilment of Article XIII of the Treaty of London, she got no further than opening negotiations over the rectification of frontiers between :

- (1) French North-West Africa and Libya.
- (2) Italian Somaliland and Kenya.
- (3) Egypt (then a British protectorate) and Libya.

The first was quickly settled, and an agreement of September 12, 1919, removed two French salients and gave Italy unbroken control over the wells on a section of the caravan route between Lake Chad and the Mediterranean. The second, by which Great Britain transferred Jubaland to Italy, was settled after long negotiations¹ on July 15, 1924. The third was not satisfactorily disposed of until the signature of the Italo-Egyptian agreement of December 6th, 1925,² supplemented by exchanges of notes between Egypt and Italy and Great Britain and Italy³ on July 20, 1934, demarcating certain previously undefined parts of the boundary between Libya and the Sudan.

The French Government did not finally settle the question of ceding territory in Africa in fulfilment of the Treaty of London until the Rome Agreement of January, 1935.⁴

The Anglo-Italian Correspondence, 1925

In 1924 the British Labour Government made proposals to Abyssinia concerning Lake Tana, but without positive result. The succeeding Conservative Government, when in negotiation with the Italian Government, returned to the Abyssinian question, and referring back to the Italian proposal of November, 1919, decided that this was not in contradiction with the Tripartite Agreement of 1906 :

" since the object of that agreement is to maintain the *status quo* in Ethiopia on the basis of the international instruments indicated in Article I thereof,⁵ and the co-ordination of the action of the signatory States so that they should not suffer prejudice."⁶

The negotiations, entered into on British initiative, resulted in an agreement embodied in an exchange of notes of December 14 and 20, 1925.⁷ By the first of these the British Government undertook, in return for Italian support in obtaining from Abyssinia a concession to build a barrage on Lake Tana and a motor road from the Sudan to the Lake, to support an Italian

(1) For a detailed account see *Survey of International Affairs*, 1924, pp. 463-471.

(2) See *Survey of International Affairs*, 1925, Vol. I, pp. 184-188.

(3) See British White Paper, Cmd. 4694.

(4) See below, p. 16.

(5) i.e., the treaties signed during Menelik's reign, between 1889 and 1906.

(6) Note from Great Britain to Italy, December 14, 1925. *League of Nations Official Journal*, November, 1926, p. 1519.

(7) *Op. cit.*, pp. 1518 and 1521. Also British White Paper, Cmd. 2792.

request for the long-envisaged railway from Eritrea to Somaliland to the west of Addis Ababa. Conditional upon obtaining the Tana barrage concession, and subject to an Italian undertaking not to tamper with the water flow into the main Nile river, Great Britain promised to :

“ recognise an exclusive Italian economic influence in the west of Abyssinia and in the whole of the territory to be crossed by the above mentioned railway. They would further promise to support with the Abyssinian Government all Italian requests for economic concessions in the above zone.”

It can be argued that this bilateral arrangement, made without consulting France, infringed the 1906 Tripartite Treaty. Undoubtedly some persuasion was necessary to convince France that this was not so, for not until August 2, 1926, did Sir Austen Chamberlain tell the House of Commons that he believed “ that the French were entirely satisfied with the explanations received.”

The Abyssinian Government, scenting a fresh threat to national independence, was less easily soothed, and handed notes of protest to both signatories on June 15, 1926.¹ These were identic except that the note to Great Britain added a rider ending :

“ We should never have suspected that the British Government would come to an agreement with another Government regarding our Lake.”²

Abyssinia then referred the matter to the League of Nations. She succeeded in giving such publicity to the affair that the matter never came before the Council, for both Great Britain and Italy at once published their interpretation of the agreement, confining it within the most modest limits. It in no way impinged, they said, upon Abyssinian rights or independence ; it merely secured Great Britain against Italian rivalry in obtaining the Tana concession from Abyssinia, and Italy against British competition over the railway she desired. The Italians explained the delicate question of their “ exclusive ” economic interest as follows :—

“ In particular, as regards the recognition by the British Government of an exclusive sphere of Italian economic influence in certain parts of Abyssinia, it is clear that this constitutes an agreement which is binding solely on the Italian and British Governments ; it cannot detract from the right of the Abyssinian Government to take such decisions as it may think fit or limit the possible action of third parties.

“ It is a guarantee of an economic nature obtained for Italian enterprises as against British enterprises in order to avoid competition which might imperil the success of these enterprises and hinder that development of local resources which it may well be in the interests of Abyssinia to assist and promote.”³

(1) For the correspondence regarding this protest, see *League of Nations Official Journal*, November, 1926, pp. 1517-1527.

(2) *Op. cit.*, p. 1520.

(3) Letter from the Italian Government to the Secretary General of the League, August 7, 1926, *op. cit.*, p. 1525.

The British explanation, read by Sir Austen Chamberlain to the House of Commons on August 2, 1926,¹ was almost identical :

" Sir Austen Chamberlain desires to emphasize that the Anglo-Italian Notes do not ' reserve ' any part of Abyssinia to Italian economic influence."

The agreement

" imposes no obligation on anyone except the British Government who, in return for the Italian undertakings in regard to Lake Tana, engaged not to compete or to support competition with Italian enterprise in the region specified."

The incident closed with an assurance to Abyssinia from the League of Nations that reference would be made to her protest in the publication of the Anglo-Italian agreement in the official *Treaty Series*.

*The Italo-
Abyssinian
Treaty, 1928*

Following this success, Ras Tafari seemed to grow more confident of his power to maintain independence, and more open to proposals for economic development by the grant of foreign concessions. Thus on August 2, 1928, he signed a Twenty-year Pact of Friendship and Arbitration with Italy.² Only two years had elapsed since the rancour of 1926 and the treaty was looked on at the time as a diplomatic feat on the part of Signor Mussolini ; its successful negotiation was said to be due to the trust placed by the Abyssinians in Signor Giuliano Cora, the then Italian Minister in Addis Ababa.

By Article II of the Pact the Governments mutually pledged themselves not to take any action detrimental to the independence of the other. Article V, that principally quoted in the present dispute, runs as follows :—

" Both Governments undertake to submit to a procedure of conciliation and arbitration disputes which may arise between them and which it may not have been possible to settle by ordinary diplomatic methods, without having recourse to armed force. Notes shall be exchanged by common agreement between the two Governments regarding the manner of appointing arbitrators."³

An accompanying convention⁴ provided for the construction of a motor road from Dessieh (150 miles N.E. of Addis Ababa and 200 miles from the Eritrean frontier) to the port of Assab in Eritrea, and for the lease to Abyssinia of land for a wharf and free zone at Assab. An Italo-Abyssinian company was to have a

(1) *Hansard*, coll. 2753-4.

(2) *League of Nations Treaty Series*, Vol. 94, p. 419.

(3) This exchange took place on Abyssinian initiative on August 3 and 4 1928. See *League Document*, C. 157, M.86, 1935, VII. Geneva, April 11, 1935.

(4) *League of Nations Treaty Series*, Vol. 94, p. 441.

monopoly of the road traffic. That no effect has been given to this convention is a source of mutual accusation and recrimination during the present dispute.

It should be noted, however, that the Treaty was reaffirmed by both parties in an official statement issued in Rome on September 29, 1934.

*Coronation
of Ras Tafari*

Ras Tafari was crowned King (Negus) on October 7, 1928, and, after the death of the Empress Zauditu in April, 1930, he was crowned Emperor on November 2 of that year. Founding a new dynasty, he took the title of Haile Selassie I.

*The Arms
Traffic Act,
1930*

In August, 1930, the Negus had entered into a treaty¹ which regularised his position with reference to the trade in arms. Abyssinia had until then been bound by the Brussels Act of July 2, 1890,² which for "the preservation of the African populations" and the abolition of the slave trade, had prohibited the import of arms into a large central section of Africa. This was hardly appropriate once nations within that area had achieved the status of membership of the League of Nations, and the Convention for the Control of the Trade in Arms and Ammunition signed at Saint-Germain-en-Laye in 1919 was designed to amend it. Abyssinia had bound herself to observe this Convention in her declaration upon entry into the League³; she had also signed the Convention for the Supervision of the International Trade in Arms concluded at Geneva in 1925. But neither of these instruments had received the number of ratifications necessary for entry into force.

Great Britain, France, Italy and Abyssinia therefore decided to clear up the matter, with the double object of enabling the Emperor "to obtain all the arms and munitions necessary for the defence of his territories from external aggression and for the preservation of internal order therein" and of preventing the acquisition of arms by unauthorised persons. The treaty which was accordingly drawn up empowered the Abyssinian Government to order arms abroad, but laid down that no import should be permitted without a signed and sealed order from the Emperor or his authorised representative. The principle of regulation of the traffic by the three limitrophe Powers was admitted in Article 9, which stated that :

(1) For text see British White Paper, Cmd. 3707. Reprinted in *Documents on International Affairs*, 1930, p. 195 (Oxford University Press, 1931).

(2) Abyssinian accession, September 16, 1890; for text see Hertslet, pp. 488-517.

(3) See above, p. 10.

" . . . if the attitude or disturbed condition of Ethiopia constitutes a threat to peace or public order, the authorities of the adjacent territories shall refuse to authorize the transit until this threat has ceased to exist."

An exception was made in the case of arms supplied to the "legitimate authorities in Ethiopia" for the "maintenance of public order."

The Italo-French Agreement, Jan. 7, 1935

The only subsequent international agreement affecting Abyssinia was that by which M. Laval and Signor Mussolini, at their meeting in Rome in January, 1935, settled certain outstanding colonial questions. Among the concessions to Italy were 2,500 out of 34,000 shares in the Jibuti-Addis Ababa railway. Italy also received two strips of territory, one adjoining South Libya,¹ the other the southern frontier of Eritrea.²

The Franco-Italian agreement as a whole was freely commented upon in all countries as appearing to the advantage of France rather than of Italy. It was widely suggested that it had been accompanied by an understanding about Italy's intentions in Abyssinia.³ M. Laval, on June 19, denied to the Foreign Affairs Committee of the Chamber that the French Government had agreed to leave Italy a free hand in the matter. But a swing over from pro-French to anti-French feeling, which was apparent in the Italian press during April and May, gives the impression that there was some understanding which was differently interpreted by the two parties.

(1) 114,000 square kilometres with 800 inhabitants.

(2) 800 square kilometres with a coastline of 20 kilometres and a population of 1,000.

(3) See *inter alia* : *New York Times*, February 12, 1935 ; *Manchester Guardian* January 16, 1935.

PART II. PRESENT CONDITIONS

I. THE INTERNAL SITUATION IN ABYSSINIA.

Loyalty to
the Central
Government

The disastrous reign of Lij Jasu (1913-16) reduced to vanishing point the power which Menelik had concentrated in the central Government. Lij Jasu's deposition in 1916 was followed by a stalemate lasting for nearly ten years, for the young Regent, Ras Tafari, though known for his enlightenment and reforming zeal, could make no headway against the strong conservative faction behind the Empress, a reactionary group jealous of privilege and afraid of change.

This situation ended in 1926 with the death of Hapta Giorgis, the aged Minister for War, whose great influence had ensured the maintenance of the *status quo*. Ras Tafari seized the opportunity to secure the dead man's governorships for himself and his nominees. There ensued an open struggle for power between the factions,¹ from which Ras Tafari, who was able to concentrate a large body of loyal troops more quickly than any of his opponents, emerged as Negus (1928) and as the Emperor Haile Selassie in 1930.

Since that date he has pursued his aim of unifying the Empire. He is in complete control of the districts round the capital and of the province of Harrar, of which he and his father before him were hereditary governors. Since the unsuccessful revolt of the Governor of Gojjam in 1932, he has extended this unity towards the north, entrusting the rule of Gojjam province to one of his supporters, as he has also done in other more remote districts, among them Sidamo, Kaffa and Wollo.²

But the tribes which march with the French, British and Italian colonies on the south and east, Danakil, Aussa and Ogaden, are less well under control. First-hand accounts confirm that their ambitions are purely tribal, centring round wells and grazing grounds. There was evidence of this when, in January, 1935, a Danakil tribe raided the neighbouring Eisa in French Somaliland, and in doing so crossed the international frontier and killed a French district commissioner. The French authorities recognised this as a tribal feud and dealt on this basis with the authorities at Addis Ababa.

Little is known of Haile Selassie's influence over the western mountain tribes. One recent eye-witness reported that, when he crossed the district in May, 1935, the headmen knew little

(1) For details see special article in *The Times*, October 17, 1930.

(2) *Le Temps*, July 11, 1933.

or nothing of the threatened trouble with Italy. But in his opinion their intense suspicion of foreigners and their warlike disposition should render it easy to rouse them against an invader. Many observers feel that this is applicable to all the outlying tribes; point is given to this view by the report of *The Times* Special Correspondent¹ that, following the Emperor's speech from the Throne of July 18, 1935, "declarations of loyalty by local *cadi* in crimson robes and Moslem Somali swordbearers from Ogaden were loudly cheered." A new society, the *Jeunesse d'Ethiopie*, also bears witness to a growing patriotic spirit, and the latest reports lay stress on the unity of the religions, Christian and Moslem, within the country.

The Church

The Church is an important factor in Abyssinia. The Cushites, the dominant race, are monophysite Christians, connected with the Alexandrian Church through their Coptic Abuna, or head bishop. The priests, who have considerable influence, are foremost among the enemies of change, and the present Abuna, Monsignor Kyril, is known to be strongly anti-Italian. The Galla, the most developed of the subject races, are mainly Moslems, though the Wollo Galla, to the north-east of Shoa, are, at least nominally, converts to Christianity. A rough estimate places the Christians at 3,000,000. The area in which they dwell runs north from Addis Ababa to the Eritrean frontier, and extends beyond the west of Lake Tana. Moslems inhabit the whole of the districts adjoining the three Somalilands, for, besides the Galla, the Danakil, Afar, Arussi and Ogaden tribes all profess forms of the Moslem faith. The Danakil and Afar tribes, like the Somali, belong to the Shafia sect; among the Arussi and Ogaden the faith has gradually spread under the influence of emissaries of the Senussi sect from Senaar and the Sudan. Jimma territory (south-west of Addis Ababa) is a staunch Moslem island in the pagan area which extends over the south-west and extreme west of the country.

Administrative Reforms

Those who attended the Emperor's coronation in November, 1930, at which the Duke of Gloucester represented Great Britain, recounted that an imposing array of Rases (great chiefs or commanders-in-chief), Dejazmaches (generals) and Fitauraris (senior captains) and other chieftains were present to do homage to the new King of Kings. A correspondent in Addis Ababa, writing in *The Times* of April 9, 1931, reported, however, that there was considerable "window-dressing" for this occasion.

On July 16, 1931, the chieftains again met in state to receive

(1) *The Times*, July 19, 1935.

and countersign the Emperor's gift of a constitution,¹ foremost among the signatories being the Abuna. But the two chambers "designated by the provinces subject to Our consent," and the ministers for the execution of their decrees, all then provided for, would seem to be a conception as yet in advance of the Abyssinian mentality. Since the first meeting of the Abyssinian Parliament in November, 1932, Haile Selassie has therefore sought to spread a knowledge of modern administrative machinery by changing the local representatives in both Senate and Chamber every three months.

The Emperor has worked through Parliament to regulate the position of foreigners in the country, and to settle certain matters in which they have a particular concern. A Company Law, a Bankruptcy Law, a Currency Law, and a law regulating the holding of property by foreigners and corporations were all placed on the Statute Book during the first session. An Abyssinian Commission was also appointed to revise the Penal and Civil Codes, and the reorganisation of the police was entrusted to a Belgian Mission. The Emperor also created three model provinces in which the Governor and his staff were appointed by the Central Government; he further entered, in co-operation with the Diplomatic Corps, into an effort to improve the smooth working of justice.²

But such reforms have only been in progress for four years; the machinery is still in its infancy, and in effect the Emperor continues to govern alone, assisted by certain foreign advisers on whom he relies, particularly in regard to finance and foreign affairs. Moreover, it cannot be denied that very wild conditions still prevail in parts of Abyssinia.³

The Army

Perhaps the best known of the foreign advisers are the members of the Belgian Military Mission engaged in 1929 to train the army. Swedish officers in Abyssinian service also act as instructors.

The Belgian Mission has been responsible for the training of the Royal Bodyguard, reported to be 30,000 strong, which, judging by a film on Abyssinia taken by a Swiss expedition and shown in London in July, 1935,⁴ is equipped with modern uniforms (except that the men march barefoot) and with up-to-date weapons. A recent reliable estimate puts the strength, over and above the Bodyguard, at 100,000 regular troops maintained by

(1) For a description of the scene see *The Times*, July 17, 1931.

(2) *The Times*, January 30, 1934.

(3) One description may be found in L. M. Nesbitt: *Desert and Forest*. Cape, 1934.

(4) See reproductions in *Illustrated London News*, July 6, 1935.

governors and 600,000 men of the tribal levies. Of this total, perhaps 100,000 have modern rifles and 15,000 full modern equipment. But the full fighting force of Abyssinia is impossible to estimate;¹ each chieftain brings his personal following, and the numbers collected depend on the number of chieftains who rally to the Central Government.

As regards war material, the army possesses some anti-aircraft guns, and machine guns variously estimated at from 200 to 2,000. It is reported to own five tanks—one given by the Duke of the Abruzzi in May, 1927, but none of them used since that date. A beginning has been made with an air force under French instruction. There is a landing ground at Addis Ababa but heavily laden machines cannot easily reach it owing to its altitude (8,000 ft.).

Slavery

When laying emphasis on the unfitness of Abyssinia to govern herself, the Italian authorities stress the inability to maintain order on the frontiers, the slavery rife in the country, and the preying by the ruling race upon the subject tribes. It is therefore appropriate to give some facts about the attempts to deal with the slavery question in the four years during which Haile Selassie has had a free hand to proceed with his reforms.

Slavery is a custom deep-rooted in most Abyssinian tribes, and the task of abolition is obviously long and difficult; but it is incumbent upon the Government to proceed with it in order to fulfil its obligations as a signatory of the League Covenant. Abolition laws were passed in 1924² and 1931;³ these should have improved matters, since they prescribed the emancipation of children born to slave parents, and of slaves on their owner's death, but the Government lacked the machinery to put them into effect.

In 1932 the Emperor, in an undertaking given to Lord Noel Buxton on behalf of the Anti-Slavery and Aborigines Protection Society, undertook to press on with anti-slavery reforms and to bring the custom to an end within twenty years. An advance was made with the establishment, in August, 1932, of a Slavery Bureau in Addis Ababa, for some time advised by an Englishman, Mr. de Halpert; this had by August, 1934, established 62 local bureaux in the country, to which were attached judges responsible

(1) The population is variously estimated at from 5 to 10 million; 7,000,000 is a probable figure.

(2) See League of Nations Document, C.209.M.66., 1924. VI.

(3) See *League of Nations Official Journal*, Special Supplement, No. 99: Minutes of the Sixth Committee, pp. 43-44.

for the liberation of slaves and for repression of the offences punishable under the Abolition Laws.¹

But the practice persists. A major difficulty in uprooting it is that even officials continue to be concerned in the enslaving of new servants. Moreover, little can as yet be done to check the activities of the tribes remote from the capital; it is reported that the inter-tribal raids which are common in these districts are primarily for cattle, but that advantage is often taken of the opportunity to enslave some captives.

The international trade for purposes of the Red Sea traffic to Arabia, also still carried on, is necessarily effected by smuggling through the European colonies on the coast.

Natural Resources

Abyssinia is more or less self-supporting, and her trade figures are therefore no guide to the richness of the country. The soil is excellent in many parts of the highlands, and fertile agricultural crops can be raised in products ranging, at the different altitudes, from wheat and barley to rubber, bananas and cotton. But agriculture and stock-raising, which are the main occupations, are still conducted on primitive lines; at present the only foreign agricultural enterprises are some minor Belgian coffee-growing concessions. The country thus offers great opportunities for development.

There is no reliable survey of the subsoil, and its mineral wealth can only be guessed at. Potash, mica, gold and platinum have been developed commercially, but the known deposits are small and difficult of access. Platinum production has been as follows :—

	Grams
1926	22,355
1927	57,747
1928	125,803
1929	103,305
1930	127,447
1931	193,834
1932	244,947
1933	190,603

The average figure represents some 3 per cent. of the world's production. There are rumours of the presence of copper, tin, oil and coal.

Foreign Trade

Foreign trade statistics are incomplete, since those obtainable only cover the main trade routes, through Jibuti, the Sudan and British Somaliland.

(1) For details see *Report of the Advisory Committee of Experts on Slavery*, League of Nations Document C.159.M.113. 1935. VI, pp. 93-94.

The following are the figures for three representative years :—

Route	Imports.		
	1912	1928-29	1929-30 ¹
	£	£	£
Jibuti	848,527	1,399,905	822,943
Sudan	95,756	163,938	106,149
British Somaliland	44,112 ²	84,721	52,136
Total	988,395	1,648,564	981,228

Route	Exports.		
	1912	1928-29	1929-30
	£	£	£
Jibuti	762,002	890,287	679,683
Sudan	97,411	237,293	234,300
British Somaliland	16,649 ³	46,708	37,531
Total	876,062	1,174,288	951,514

The trade through Eritrea is estimated to add about 10 per cent. to this total; that through Italian Somaliland is negligible owing to the barren nature of the southern lowlands, which, except in the valleys watered by the Juba and Webi Schebeli rivers, are a sandy and scrub-covered waste.

Of imports, cotton goods and cotton yarn are the chief commodities; the bulk of this trade is in Japanese hands. The chief exports are coffee, hides and skins, and beeswax, the value of the two former in a normal year being £400,000 to £500,000⁴ and £200,000 to £300,000 respectively.

Direct trade⁴ with Great Britain is small; the following are the official figures for recent years :—

	Exports to Great Britain	Imports from Great Britain
	£	£
1930	229,032	34,296
1931	216,517	23,298
1932	138,651	19,533
1933	191,624	39,503
1934	165,123	49,664

The direct and transit trade with the adjoining British and French colonies is of some importance to the prosperity of these territories. As can be judged from the trade figures given, this is particularly the case with French Somaliland.

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- (1) Latest full figures available.
 (2) Estimated.
 (3) Cf. Kenya average of over £1,000,000.
 (4) Figures for other countries, except U.S.A., do not appear to be available.

2. THE FOREIGN INTERESTS INVOLVED.

British
Interests

It is clear from all the British correspondence relating to Italian claims "to the west of Addis Ababa" that the Lake Tana water supply is Great Britain's chief consideration in Abyssinia.¹ Subject to "reasonable use of the waters in question by the inhabitants of the region,"² the general understanding with Abyssinia, dating back to 1902, has always been that a dam should be constructed at the Lake in order to regulate the flow of its waters for the benefit of Egypt and the Sudan. With this end in view an American firm, the J. G. White Engineering Corporation, surveyed the Lake in 1930 on the instructions of the Abyssinian and Sudan Governments. The cost involved being considerable, the co-operation of the Egyptian Government was sought³ and in 1933 a further survey party was sent to the Lake. On May 10, 1935, the Abyssinian Government invited the British, Egyptian and Sudan Governments to a conference at Addis Ababa with the object of concluding an agreement on the question, but the British Government, anxious to avoid any step which might aggravate the dispute with Italy, replied that it favoured postponement of the matter for the time being.⁴ Meantime the Egyptian Government's five-year plan of expenditure on public works, approved by the Cabinet on May 22, 1935, sets aside £E21,000,000 for irrigation projects which include the building of the Tana barrage.

A second British interest is the trading station at Gambela, near the Sudan frontier, which has been operating successfully since the signature of the Anglo-Abyssinian Treaty of 1902, and the trade through which has increased in recent years. A considerable volume of internal trade in Abyssinia is also in the hands of British-Indian and British-Somali traders.

A third interest has already been touched upon, the customary trans-frontier grazing of the British Somaliland and Abyssinian tribes in the Ogaden area.

A fourth important point is evident from the map. Almost two-thirds of Abyssinia's frontiers march with British territory, Kenya, Somaliland and the Sudan, and trouble within the country is bound to affect conditions along its borders.

(1) For a full survey see "Abyssinia, Lake Tana and the Nile Waters," in *Bulletin of International News*, Vol. IV, No. 11, November 26, 1927. Also Grabham and Black: *Report of the Mission to Lake Tana 1920-21*. Egyptian Government Publication, 1923.

(2) British Government's letter to Italian Government, December 14, 1925; see *League of Nations Official Journal*, November, 1926, p. 1519.

(3) *The Times*, May 23, 1935.

(4) Reply by Mr. Eden in the House of Commons, *Hansard*, July 9, 1935, col. 154.

*French
Interests*

The French-controlled Jibuti railway is the only large-scale European enterprise operating in Abyssinia. Its early history has already been summarised.¹ After heavy losses in 1916-21, due partly to internal strife, partly to the Great War, a new financial arrangement was reported between the Company and the French Government in 1922.² There followed a period of comparative prosperity, but latterly the returns are said to have been less satisfactory. As mentioned above, 2,500 out of 34,000 shares were transferred by the French to the Italian Government by the Rome Agreement of January 7, 1935.

*Japanese
Interests*

As has already been stated, Japan is the principal supplier of Abyssinian imports. Her interest in the internal Abyssinian situation is therefore natural, and was referred to in statements by the Tokyo Foreign Office spokesman on July 10 and 19, 1935.³ An Ethiopian Problems Society formed in Japan under the leadership of the reactionary leader M. Toyama, has telegraphed to Addis Ababa exhorting the maintenance of independence.³

Rumour has for some time been current as to rather more extensive Japanese interests in Abyssinia. The two countries signed a Treaty of Friendship⁴ in 1930, but did not ratify it until an Abyssinian Minister visited Tokyo in 1932. There followed stories of an opium-growing concession,⁵ a betrothal between an Abyssinian prince and a Japanese girl of high birth⁶, later broken off, and of a cotton-growing concession in the north,⁷ between Lake Tana and Eritrea. The two rumours of agricultural concessions are without foundation.

There is evidence of Japan's concern for her Abyssinian market not only in the Foreign Office statements already quoted, but in the denial of reports from Rome that she had given Italy assurances that she would not hamper Italian action in Abyssinia. This denial caused a strenuous anti-Japanese campaign in the Italian press during the latter half of July.

The Japanese press as a whole reflects a pro-Abyssinian standpoint. The newly-formed Ethiopian Problems Society has the support of the ultra-nationalist Black Dragon Society and of the great Japan Production Party; this last on July 24, 1935, passed a resolution denouncing Italy's methods and calling upon the Duce to withdraw his troops.

(1) See page 6 above.

(2) See Rey: *Unconquered Abyssinia*, 1923, pp. 227-240.

(3) *The Times*, July 20, 1935.

(4) *League of Nations Treaty Series*, Vol. 133, p. 135.

(5) *Osaka Asahi*, September 21, 1933.

(6) *Inter alia*, *New York Times*, April 3, 1934; *Journal de Genève*, April 6, 1934.

(7) *Pravda*, February 20, 1935.

Extensive spheres of influence in Abyssinia have twice been recognised to Italy by other Powers in treaties which are still valid. Great Britain in 1891 and 1894 recognised as an Italian sphere Eritrea, Italian Somaliland and almost the whole of what is now the Abyssinian Empire. The Tripartite Agreement of 1906 afforded her, "in the event of the break-up of Ethiopia," a crescent-shaped strip running from Eritrea to Italian Somaliland, passing south of the British Lake Tana sphere and west of the French railway zone.

Other than this, Italian interests are at present few. Indeed, one of Italy's chief grounds for complaint of Abyssinian hostility is that she has in recent years been obliged to stand by and watch the distribution of concessions (though these have never been specified), and of government adviserships, to nationals of other countries.

This grievance might have been alleviated had effect been given to the motor road convention supplementary to the Italo-Abyssinian Treaty of 1928,¹ for Italy would then have secured a footing in an important commercial enterprise, which would have increased the transit trade and thus the prosperity of Eritrea. But owing to differences of opinion between the experts over surveys and estimates (the accounts of the rival parties differ as to who was to blame for this) nothing came of the convention.

So much for the interests which are stated in black and white. It is difficult to set out the other Italian interests which clearly play an important part in moulding official policy in regard to the present dispute.

A primary consideration is undoubtedly that of overseas expansion. Fascist Italy has undertaken a national drive for self-sufficiency, but there are two major needs which, in present circumstances, cannot be satisfied at home. The first is an outlet for her population, the second, the supply of raw materials, particularly metals and fibres.² The satisfactory living and production conditions which Europeans have found in the Kenya highlands is a constant reminder of all that Eritrea and Somaliland lack, and of what the Abyssinian uplands might offer in these respects.

Another consideration, growing daily in importance, is the stake in men and money which the Italian Government has concentrated in its East African expedition.

(1) See page 14 above.

(2) See *The Economic and Financial Position of Italy*, Information Department Papers, No. 15, pp. 1-22, 30-34. Royal Institute of International Affairs, June (revised August), 1935.

The first detachments sailed from Italian ports on February 17, and up to July 6 the Suez Canal returns showed that approximately 75,000 soldiers and 29,000 labourers¹ had passed through on their way to the Italian colonies.² The Italian Army commanders are said to estimate that a minimum of 400,000 men is necessary for a successful campaign, and to judge by recent estimates³ more than 60 per cent. of this number are already in or under orders for East Africa. Without including specialised detachments such as the Air Force and Tank Corps, the total, up to and including those mobilized on August 6, 1935, most of whom have now been despatched to East Africa, was said to be as follows:—

Regular army: seven divisions	...	...	105,000
Fascist militia: six divisions	...	...	72,000
and seven battalions	...	...	7,000
Eritrean native troops: two divisions	...		30,000
Somali native troops: one division	...		15,000
Labourers (minimum estimate)	...	...	30,000
Permanent colonial garrison...	...	...	8,000
			<hr/>
			267,000
			<hr/> <hr/>

If to these are added the troops mobilized in Italy, the Duce is known to have about one million men under arms.

The cost of despatching and maintaining such a force is considerable. On May 18 the Finance Minister announced that expenditure on East African "exigencies" had amounted, up to the end of April, to 620 million lire (over £10 million), and that expenditure on this in 1935-1936 "must be considered as an extraordinary item, the burden of which cannot now be calculated since it is dependent upon events."

But facts which are known are the state of the Italian budget and the mounting figure of the national debt.⁴ The Italian Government is not in a position to spend lightly, and the taxpayer will doubtless see grounds for complaint unless there is some substantial return for the expenditure of his money in Africa.

(1) The Italian Government made efforts to enrol acclimatised labour corps in Egypt and the Netherlands Indies, but the Governments of both these territories refused their permission.

(2) Written reply by Sir Samuel Hoare in the House of Commons, *Hansard* July 22, 1935, col. 1495.

(3) For an analysis see *Manchester Guardian*, August 7, 1935.

(4) For a full review of the present budget and debt situation, see *The Economic and Financial Position of Italy, op. cit.*

PART III.

THE COURSE OF THE DISPUTE

I. THE WALWAL INCIDENT.

The Anglo-Abyssinian Boundary Commission, November, 1934

It has for years been the practice of the tribes in what is now British Somaliland to move inland at certain times of the year in search of pasture, and thus to share certain of the wells and grazing grounds principally occupied by an Abyssinian tribe, the Ogaden. This fact was recognised and the position regularised in the Rennell Rodd Treaty of May, 1897.¹

In pursuance of this treaty, a Joint Anglo-Abyssinian Delimitation Commission was charged with demarcating the frontier on the ground and with investigating the extent of the tribal grazing grounds on either side of it. This Commission arrived at Walwal on November 23, 1934; an Italian force was in charge of the wells, with a "defensive post" about a mile away flying the Italian flag. The Italian officer in charge proved "unconciliatory and disobliging"² and Italian military aeroplanes dived low over the Commission's camp.

"The British Commissioner thereupon expressed to Captain Cimmaruta his great indignation at this provocative demonstration and announced that, in order not to complicate the situation for the Abyssinian Government, the British Mission would retire to Ado as soon as possible."³

The Walwal Incident, December 5, 1934

This it did, leaving the Abyssinian escort "in its position at Walwal in order to avoid any appearance of a retreat, which might cause a rising among the population of Ogaden, seriously compromising the safety of the Commission."³ There was therefore no impartial eye-witness present when the clash between the opposing forces took place on December 5, 1934. The Italian and Abyssinian versions of the incident are directly contradictory.

(1) See page 8 above.

(2) The quotations are from the full account submitted by the Joint Commission and signed for Great Britain by Lieut.-Colonel E. H. M. Clifford, R.E. and Mr. A. T. Curle. See League of Nations Document C.49.M.22, 1935, VII, pp. 17-19. The document is extensively quoted in "*The Abyssinian Dispute*," League of Nations Union, August, 1935.

(3) Account submitted by the Joint Commission, *op. cit.*, p. 18.

Responsibility for the actual attack is thus hard to determine. The rights of the rival parties in the area should be simpler to define because both agree¹ that the two treaties defining the relevant boundary are the Anglo-Abyssinian Agreement of 1897 and the Italo-Abyssinian Treaty of 1908.²

The former only affects the present dispute in that it defines the frontier of British Somaliland, since demarcated on the ground by the Joint Anglo-Abyssinian Commission, which finished work in 1934. This line runs due east and west along the 8th parallel between 47° and 48° east longitude; the exact point at which it is joined by the Italo-Abyssinian boundary has never been defined; the Italians contend that it is at 47° × 8°, the Abyssinians at 48° × 8°.³

In either case the second treaty, that of 1908, would appear to place Walwal within Abyssinia. The relevant clause runs as follows:—

“ From the Webi Schebeli the frontier proceeds in a north-easterly direction, following the line accepted by the Italian Government in 1897; all the territory belonging to the tribes towards the coast shall remain dependent on Italy; all the territory of Ogaden and all that of the tribes towards the Ogaden shall remain dependent on Abyssinia.”

Since the tribes in question were nomadic, provision was made for delimitation on the ground as soon as might be. A mission, led on the Italian side by General Citerni, started work in 1910-11, but met with difficulties; according to Italian accounts the “intolerant hostility and overbearing ways”⁴ of the Abyssinians precluded agreement, and no definite boundary was ever demarcated on the spot.

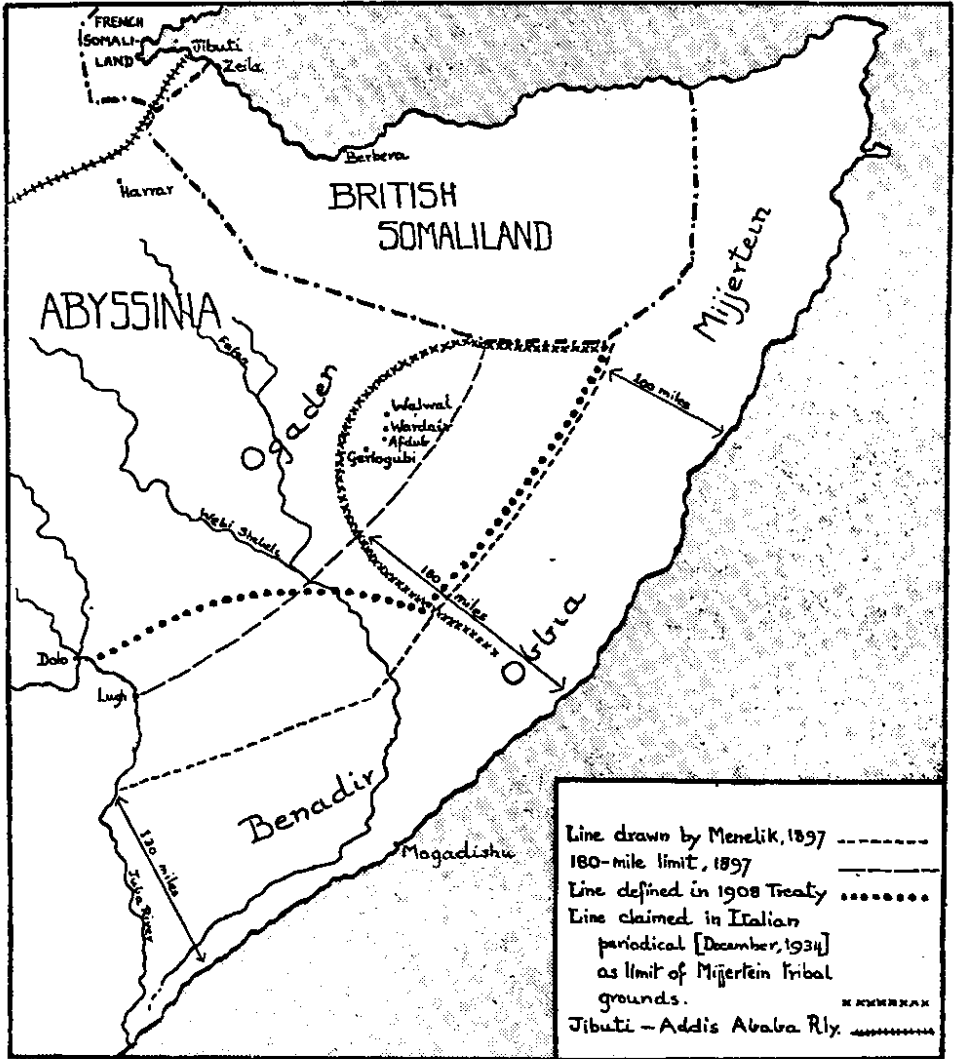
Those who would judge of the present case are therefore obliged to fall back upon the wording of the 1908 treaty, with its definition on ethnic lines. But this treaty also brings into play another agreement, that “accepted by the Italian Government in 1897.” This unpublished line was agreed upon by Menelik and an Italian Major Nerazzini, and was approved by the Italian Government in a telegram of September 3, 1897. According to a recent Abyssinian statement⁴ it “runs at a distance of 180 miles parallel to the coast of the Indian Ocean and joins the Juba to the north of Bardera”; at the same time, it is clear from Italian sources³ that, when agreeing to this 180-mile limit,

(1) See Abyssinia: Memorandum to the League of Nations, January 15, 1935. Document C.49.M.22, 1935, VII, pp. 5-6. See Italy: *Annuario delle Colonie Italiane* for any year (1935 edition, p. 689).

(2) See above, pp. 8-9.

(3) Article in the Italian newspaper *Forse Armata*, December, 1934.

(4) Memorandum to League of Nations, January 15, 1935. League Document C.49.M.22, 1935, VII, p. 5.



Italian Somaliland and the Disputed Frontier

Menelik simultaneously drew an arbitrary frontier line on a map, affixed his signature to it, and handed it to Major Nerazzini, who carried it back to Rome.

The Abyssinian Case

The Abyssinian case is simple. Walwal is over 200 miles from the coast ; it is also on the Abyssinian side of Menelik's line ; it is also in the territory of the Ogaden. Thus by the agreements of both 1897 and 1908 it lies in Abyssinian territory.

On this showing the Italians would appear to be guilty of trespass. They have raised various arguments in defence of their action ; one of these is that they had occupied the Walwal post for five years and that if the Abyssinians had proper control over this region they would have protested long since. Moreover, they complain, with reason, of an intermittent series of frontier raids and attacks on Italian subjects extending over many years. Only a few weeks before the Walwal incident the Italian Government had demanded and received reparations and apologies for an attack by Abyssinian " rowdies " on the Italian consulate at Gondar.

The case which the Italians presented to the Conciliation Commission in June, 1935, concentrated on such hostile demonstrations. In particular it emphasised that Abyssinian forces had been observed to be massing in the Walwal region for weeks—if not months—past, and that the warlike intentions of these forces were proved by documents found in the Abyssinian encampment after the fighting.¹ They argued that there was further proof of hostile intentions in that a force out of all proportion to the normal accompanied Colonel Clifford's Mission, and did not withdraw with him from the wells.

Contending that the question of trespass cannot arise in relation to an undefined boundary, the Italians deduce from the above facts, and from the Abyssinian actions at Walwal, an Abyssinian " aggression." Their present emphasis on the need for settling responsibility for the clash at Walwal prior to all other discussion is based on the argument that to fail to do so would be to admit the dangerous principle that armed attack is a legitimate method of dealing with differences on undemarcated frontiers.

But there is a complete lack of impartial evidence that the attack was perpetrated by the Abyssinian forces.

As regards the uncertainty of the actual frontier line, two articles in an Italian periodical² went to great lengths to point out that, though Walwal lay to the Abyssinian side of any line laid down, there were three conflicting definitions of this frontier,³ and that no one of them could be taken as valid. Subsequently Italian policy has been based upon the ethnic criteria laid down in the 1908 treaty ; Walwal, Wardair, and Damot have belonged since all time to the Mijjertein (an Italian Somaliland tribe) ; moreover since the territory of Obbia, also under Italian

(1) These documents, which were submitted to the Conciliation Commission, have not so far been made public by the Italian Government.

(2) *Forze Armate*, December, 1934.

(3) (i) The 180 mile limit (1897) ; (ii) the line drawn by Menelik, also in 1897 ; (iii) the 1908 definition quoted above. See map, page 29.

protection, extends (by a treaty of 1885, between the Sultan of Obbia and the German East African Company) for "twenty-five days march inland," the wells in question are in Italian territory.

But at the time of writing the questions of trespass and of frontiers have been overshadowed by other and wider issues. The Italian Government has changed the grounds on which it bases its action, and is arguing in terms of Italy's right to colonial expansion, and of Abyssinia's fitness to govern herself.

2. THE DIPLOMATIC HANDLING OF THE DISPUTE.

The Rival Demands

On the day following the Walwal incident there began a series of verbal and written exchanges¹ between the Abyssinian Minister for Foreign Affairs and the Italian Chargé d'Affaires at Addis Ababa. Each side accused the other of unwarranted aggression. The Abyssinian Government asked for arbitration under the 1928 Treaty, the Italian Government for apologies from the Governor of Harrar, a salute to the Italian flag at Walwal, punishment to the offenders, and £20,000 compensation.

Abyssinian appeal to the League

The Italian Government having refused arbitration, on the ground that aggression had been flagrant, Abyssinia on December 14, 1934, telegraphed to the League of Nations an account of the dispute concluding: "In the presence of Italian aggression the Abyssinian Government draws the Council's attention to the gravity of the situation."² No appeal was as yet lodged with the League; but on January 3, 1935, after a series of Notes had arrived at Geneva from both parties, revealing the continued refusal on the part of Italy to consider arbitration, Abyssinia appealed to the League³ under Article 11 of the Covenant.⁴

Agreement to Negotiate, January 19, 1935

With a view to preventing the incident from assuming at this stage the dimensions of a major dispute, efforts were at once made to persuade Abyssinia to suspend her appeal.⁵ As a result it was announced from Geneva on January 19 that the two Governments had agreed to negotiate in the spirit of the 1928 Treaty; it was therefore decided to postpone consideration of the Abyssinian appeal until the next session of the Council in May.

(1) The text of the five Abyssinian and four Italian Notes in question are given in League of Nations Document, C.49.M.22, 1935, VII.

(2) *Op. cit.*, p. 11.

(3) League of Nations Document, C.230(1). M.114(1) 1935, VII, p. 7.

(4) For text see Appendix I.

(5) It will be recalled that M. Laval was in Rome from January 4-7, 1935.

Another clash at Afdub, near Walwal, on January 29,¹ hardly augured well for the future of the negotiations. Still more serious seemed the Italian mobilisation of two divisions (about 30,000 men), announced on February 11.

Establishment of a neutral zone

The fundamental difficulty seemed to be that Abyssinia claimed conciliation or arbitration under the 1928 Treaty covering the whole boundary settlement question, whereas Italy insisted on a limitation of discussions to the Walwal incident. The one possible line of advance seemed to be the proposal for the establishment of a neutral zone in the Walwal area. But the Italian Government objected to the Abyssinian proposal to appoint Belgian and Swedish officers to take part in the delimitation of this zone. Eventually, after these officers had been debarred by their own governments from such service, an agreement on the establishment of a neutral zone in the Gerlogubi-Ado-Walwal-Afdub quadrilateral was announced on March 4, 1935.

Second Abyssinian appeal to the League

The fundamental cleavage of opinion as to the subject of negotiation remained; and Abyssinia suggested recourse to the next stage of procedure laid down in the 1928 Treaty, the establishment of a Commission of Conciliation. In the absence of Italian acquiescence in this course, on March 15 Abyssinia acceded to all provisions of the General Act for the Pacific Settlement of International Disputes, to which Italy was already a signatory with important reservations. Two days later she appealed for a second time to the League of Nations. This time she invoked Article 15 (and also Article 10) of the Covenant,² on the ground that "in consequence of the mobilisation ordered by the Royal Italian Government, and of the continual despatch of troops and war material to the Italo-Ethiopian frontier, there now exists between Ethiopia and the Royal Italian Government a dispute likely to lead to a rupture."³

Agreement to appoint a Conciliation Commission

Once again efforts were made to prevent the appeal from coming before the Council,⁴ despite further Notes and incidents. On April 12, when the Stresa Conference was in progress, the two countries agreed to submit the dispute to a commission of conciliation as provided in the 1928 Treaty; three days later it was announced that the League Council had again decided to postpone consideration of Abyssinia's appeal until the ordinary meeting in May.

(1) The Italian and the Abyssinian accounts of this incident were published on February 11 and 12 respectively.

(2) For texts see Appendix I.

(3) League of Nations Document C.126, M.64, 1935. VII.

(4) The Council had been summoned to a special session in April to consider, at the request of France, "the decisions of the German Government relating to armaments."

*Nomination
of Arbitrators*

The major disagreement as to the subject of discussion continued, but it now became overshadowed by a more immediate conflict of opinion. For though Notes exchanged in accordance with the Treaty of 1928 made it clear that the Conciliation Commission should consist in the first place of four members, two appointed by each side, the nationality of the nominees was not specified; and whereas Abyssinia desired to appoint legal authorities of other nationalities, Italy maintained that only nationals of the two countries concerned were eligible for nomination. The Italian press, which had already embarked upon a campaign to support Italian action by an exposure of the uncivilized condition of Abyssinia, seized the opportunity to argue that the Abyssinian Government's predilection for other nationals was explained by the lack of any Abyssinians of sufficient capacity and education to represent their country on the Commission. Nevertheless on May 17 Abyssinia informed Italy that she had nominated to the Commission M. de la Pradelle,¹ a Frenchman, and Mr. Pitman B. Potter,² an American. Italy had already nominated two Government officials to the Commission.

*Preparations
for Hostilities*

Meanwhile both sides continued to arm and to condemn each other's warlike preparations.³ The Italian press accused various European countries, notably Germany, Switzerland, and Great Britain, of supplying arms to Abyssinia.⁴ For her part, Abyssinia sent yet another Note, on May 13, appealing to the League to see that her integrity and independence were respected and preserved against aggression.

*The Dispute
before the
League
Council*

It was clear that nothing further was to be gained by postponing consideration of the dispute by the League Council. Sir Eric Drummond, the British Ambassador in Rome, was summoned to London to acquaint the British Cabinet with the Italian Government's views. Mr. Eden was thus well briefed for his task as *rapporteur* to the Council on the dispute. That this task

(1) M. de la Pradelle is a Professor at the Paris Faculty of Law. He was a member of the Committee of Jurists which prepared the Statute of the Permanent Court of International Justice at the Hague in 1920. He has been Vice-President of the International Law Association, and is a director of various reviews and publications which deal with international legal questions.

(2) Mr. Pitman Benjamin Potter was formerly Professor of Political Science in the University of Wisconsin and is now Professor of International Organisation in the Institut Universitaire de Hautes Etudes Internationales, Geneva.

(3) According to a statement by the Italian Minister of Finance in the Chamber on May 18, the East African expedition has already cost 620 million lire (circa \$10,000,000).

(4) So far as Great Britain was concerned, these statements were categorically denied by Lord Stanhope, Under-Secretary of State for Foreign Affairs, in the House of Lords on May 21. There had, he said, been no application for a licence to export war material for the Abyssinian Government since the Walwal incident.

was formidable was evident from a speech by Signor Mussolini on May 24: "Let no one hold any illusions in or out of Italy. We are tolerably circumspect before we make a decision, but once a decision is taken we march ahead and do not turn back. . . . 'Better live as a lion one day than a hundred years as a sheep.'" And yet, on the following day, the world learnt that a temporary settlement had been brought about at Geneva by the efforts of Mr. Eden and M. Laval.

The Settlement of May 25, 1935

The great achievement of the settlement of May 25 was the recognition by Italy of the League's standing in the dispute. Moreover, Italy withdrew her objection regarding the nationality of the arbitrators appointed by Abyssinia. The settlement provided that if the four commissioners already nominated had not, by July 25, reached a settlement or agreed to the selection of a fifth arbitrator, or to an extension of the period, the Council was to meet again. If a fifth arbitrator was chosen, but no final settlement was achieved by August 25, the Council was to meet after that date.¹ At a preliminary meeting in Milan on June 6 and 7, the Conciliation Commission decided to meet on June 25, at Scheveningen in the Netherlands.

Abyssinian request for neutral observers

Despite the League settlement, frontier incidents and warlike preparations by both sides continued; and on June 20 a fresh Abyssinian Note was despatched to Geneva protesting that "aggression upon the integrity of Abyssinia seems imminent," and inviting the League to send, at Abyssinia's expense, neutral observers to investigate the situation actually existing in the frontier districts.

The British Zeila Proposal

Meanwhile the British Government continued to take active steps to promote a settlement, in the face of violent attacks on the British attitude by the Italian press, led by Signor Gayda, editor of the *Giornale d'Italia*.² Mr. Eden went to Rome in connection with the Anglo-German Naval Agreement and held prolonged conversations with Signor Mussolini on June 24 and 25. Rumours current at the time were confirmed when he informed the House of Commons on July 1 that one object of his visit had been to ascertain Signor Mussolini's attitude towards a tentative British suggestion regarding the dispute: supposing Great

(1) Minutes of the 5th Meeting of the 86th session of the League Council.

(2) Particular resentment was aroused in Italy by a speech by Mr. Attlee in the House of Commons on June 7. Besides criticizing the Italian régime, Mr. Attlee argued that Italy should be warned that in certain circumstances the Suez Canal would be closed to her. This proposal raised the question as to whether the Canal must always remain open to all comers, as laid down in the Convention of 1888, or whether that Convention could be overridden by Article 20 of the Covenant, which abrogates all obligations or understandings which are inconsistent with its terms. See Appendices I and II.

Britain were to cede to Abyssinia the port of Zeila, together with a narrow corridor through British Somaliland, on condition that Abyssinia made certain territorial and economic concessions to Italy, would Italy be prepared to accept this as a basis for a final settlement? To this inquiry Signor Mussolini replied in the negative. Thus no question arose of consulting the British Parliament with regard to any such cession. But the fact that such a proposal should even have been contemplated by the British Government provoked much comment.

*Abyssinian
appeal to
the U.S.A.*

On July 4 Abyssinia appealed to the United States Government to draw Italy's attention to her obligations under the Briand-Kellogg Pact. The United States Government expressed in reply its concern for the maintenance of peace, but did not refer to Abyssinia's specific request; on the following day it advised the 125 United States citizens in Abyssinia to be prepared to leave the country at short notice.

*The Concilia-
tion Com-
mission*

The Conciliation Commission met at Scheveningen on June 25, as previously arranged. But on July 9, the Commission suspended its sittings indefinitely. The cause of this breakdown was the fundamental cleavage of opinion which had been apparent since the earliest days of the dispute. Abyssinia still desired an investigation of all circumstances of the dispute; Italy refused to enter into any such discussion until the question of responsibility for the Walwal incident had been settled. Hence the Italian members of the Commission refused to hear that part of the evidence of Professor Jèze, the French legal representative of Abyssinia, which was designed to prove that Walwal was in Abyssinian territory. The Abyssinian representative on the Commission suggested the nomination of a fifth arbitrator as a solution of the deadlock; but the Italians declined, on the ground that the question involved was the competence of the Commission, which was a matter not for a fifth arbitrator but for the respective Governments. Instead they suggested a postponement till July 20 in order to allow the Governments time to deliberate on the matter. In Notes of July 14 and 23 to the Abyssinian Government, the Italian Government expressed its willingness to continue negotiations in the Conciliation Commission.

But in the Abyssinian view little was to be gained by this; it was clear that neither side was prepared to cede its point and that there was no way out of the deadlock between the four arbitrators.

Falling back upon the League Council resolution of May 25, the Abyssinian Government on July 24 pressed for the meeting of the Council therein prescribed.

Telegrams despatched from Geneva on July 27 summoned the Council for July 31. The Abyssinian and Italian replies were made public on the following day. The former held that "it rests with the Council of the League to decide between the respective contentions of the two groups of arbitrators." The latter, signed by Signor Mussolini himself, subjected Italy's participation in the League meeting to two conditions:—

- (1) the receipt of a reply from the Abyssinian Government to the Italian Notes of July 14 and 23.
- (2) the limitation of the discussion to the methods of enabling the Conciliation Commission to resume work.

The reply added:—

"Should this not be the case the Italian Government will state its observations on the subject."

The first condition having been fulfilled by Abyssinia on July 27, the Italian representative, Baron Aloisi, on July 31, duly took his seat at the Council Table.

The first brief meeting on this date was the prelude to three days of long and difficult negotiation, in which M. Laval and Mr. Eden, working in close co-operation, played the leading parts. Their task was to find a formula acceptable both to Italy and to Abyssinia; their object, (1) to set the Conciliation Commission back to work with a fifth neutral arbitrator; (2) to provide that, should the Commission fail to present a report by a certain date, the Council should discuss the Italo-Abyssinian question as a whole; (3) if possible, to bind both parties to a fresh promise not to resort to force; (4) if necessary, to arrange for tripartite conversations under the 1906 Treaty, to be attended by Abyssinian representatives also.

Signor Mussolini's reply to the Laval-Eden proposals, which reached Geneva on August 2, was reported to be unaccommodating, and the day was spent in conversations, some of them by telephone with Rome, and the formulation of counter-proposals.

The compromise which was finally reached was embodied in two League resolutions and a Three-Power Declaration.

The first of the two resolutions, unanimously adopted by the Council on August 3, provided for a resumption of the Conciliation Commission's work, and for the drafting of its report by September 1, 1935. The two disputed issues which it settled were:—

- (1) "that the Commission has not to take into account the circumstance that Walwal is under the sovereignty of one or other of the two Parties, but must concern itself solely with the other elements in the dispute relating to the Walwal incident."

(2) " that the four members of the Commission of Conciliation and Arbitration will proceed without delay to designate the fifth arbitrator."¹

The first was a point ceded to Italy, the second to Abyssinia.

The second resolution, on which the Italian delegate abstained from voting, stated :—

" The Council decides to meet in any event on September 4 to undertake the general examination in its various aspects of the relations between Italy and Ethiopia."

From these two texts can be deduced the chief emendations made as a result of the objections raised by Signor Mussolini. Firstly, the resolution contained no specific undertaking not to resort to force, though this was implied by a reference to " conciliation and arbitration under the conditions laid down in Article 5 of the Treaty of 1928 "²; secondly, the proposed tripartite conversations were not mentioned, thus making a concession to the Italian contentions that, if held, they should not be under League auspices, and that Abyssinia should not be admitted, as to do so would be to place her on an equal footing with Italy.

To meet this difficulty a separate communiqué was issued, just before the Council Session opened, by the three Powers party to the Tripartite Agreement :—

" The representatives of the Governments of the United Kingdom, France, and Italy, having met together at Geneva on August 1, 1935 ; in view of the fact that the three Powers signatories of the Treaty of December 30, 1906, concerning Ethiopia have already declared themselves ready to undertake negotiations among themselves with a view to facilitating a solution of the differences existing between Italy and Ethiopia ; have agreed to open those conversations at the earliest possible date."

*The Three
Power
Meeting*

The representatives of the Powers met in Paris on August 16, 1935. The difficulties confronting them are revealed by a review of previous statements by Ministers of the three States concerned.

The British Secretary of State for Foreign Affairs, speaking in the House of Commons on August 1, 1935, assured the members that :—

" We are second to no one in our intention to carry out our obligations under the Treaties and under the Covenant. . . .

The effect of a war between Italy and Abyssinia would, in our view, be wholly bad. Whether the war be long or short, whether the victor be Italy or Abyssinia, the effect would be harmful beyond exaggeration to the League and all that the League stands for. The attempt that we

(1) On August 8 was announced the personal acceptance by M. Nicolas Politis, Greek Minister in Paris, of his nomination as fifth arbitrator ; he was designated as such on August 20 by the members of the Commission.

(2) Viz., " without having recourse to armed force." For full text see p. 14 above.

have made in the post-War world to substitute peaceful settlement for the arbitrament of the sword would have been frustrated. The small weak countries of the world would see the protection upon which they have been depending gravely endangered. The pacts that have been laboriously concluded for the greater security of Europe would seem little more than scraps of paper. That is why we shall strive to our utmost to keep the League in being. . . .

We are not unsympathetic to the Italian need for expansion, and our actions since the War show that our sympathy is more than a sympathy of idle words. If the Italian Government have complaints to make against the Abyssinian Government, let them make those complaints in the proper and regular manner. They will find the League ready to give full and impartial consideration to the case which they put before it. But these are issues which can be settled without recourse to war."¹

M. Laval, speaking in the League Council on August 3, was equally emphatic:—

"We have achieved our immediate object, but the situation remains grave in the extreme. As representative of France, my task is not yet ended. I shall strive, with all my might and by every way within my power, to seek every possible means of achieving a conciliatory solution. Faithful to the League Covenant and in response to the unanimous feeling of my country, I have set myself this duty and I intend to see it fulfilled."²

Rather different in tone was an unsigned article, generally assumed to have been written by Signor Mussolini, published in the *Popolo d'Italia* of July 31:—

"Slavery exists in Abyssinia . . . but it is not for that reason that Italy is preparing herself for action. . . . Nor is an essential argument the question of race . . . Not even civilization is the object that Italy has in view. . . .

The essential arguments, absolutely unanswerable, are two: the vital needs of the Italian people and their security in East Africa. The former of these arguments was admitted by the British Foreign Secretary himself; the second is the decisive one. . . .

The solution of the problem can only be totalitarian. Any action of expansion or any protectorate must be accompanied by military measures. Italy is the only judge of her security in East Africa. Put in military terms, the Italo-Abyssinian problem is simplicity and logic itself. The problem admits of only one solution, with Geneva, without Geneva, or against Geneva."

These preliminaries did not promise easy results, and the worst fears were realised when the conversations broke down on August 18.

The Italian delegates had arrived in Paris without plenary powers, and progress was hampered owing to the necessity of referring every point by telephone to Rome. They made no full statement of their claims, but were reported to have argued

(1) Hansard, coll. 2930-2931.

(2) Translated from *Le Temps*, August 5, 1935.

on the basis that they were in principle entitled, both under the Tripartite Treaty of 1906 and the Anglo-Italian Correspondence of 1925, to an effective sphere of influence amounting in fact to a protectorate.

*Proposals
to Italy*

On August 16, after negotiations which lasted all day, the French and British delegations forwarded to Rome proposals representing the maximum concessions which they could offer; these proposals the Italian Government was asked to accept as a basis of negotiation. The two Governments offered to "use their good offices" with the Abyssinian Government to secure "very wide economic opportunities" for Italy in Abyssinia; these they outlined in detail. They also offered to take part in framing and negotiating with the Abyssinian Government measures by which the frontiers of the Italian colonies would be secured against attack, and Italian subjects who settled in Abyssinia would be protected; they further suggested that Abyssinia might appeal to the League for assistance in economic matters, to be met by some form of "collective assistance" from Great Britain, France and Italy. It was proposed that the necessary agreements should be embodied in a Four-Power treaty between Great Britain, France, Italy and Abyssinia, which would take the place of the existing agreements. The principle of the "open door" was to be maintained, but it was proposed that the bulk of the advantages accruing from this should in practice be allotted to Italy.

These offers were made subject to three conditions: (1) that the political integrity of Abyssinia should be respected; (2) that the scheme of settlement in its final form should be freely accepted by Abyssinia; (3) that it must have the approval of the League Council.

No answer was received in Paris on August 17; the delegates were informed that Signor Mussolini had left Rome for a series of reviews of the troops in the provinces.

The reply which arrived on the morning of August 18 was "No." It was left to the Quai d'Orsay to announce that it was "necessary to adjourn the study which had been undertaken. This study will be continued through diplomatic channels."

*British
Cabinet
Meeting,
August, 22,
1935*

In consequence of the breakdown of the Paris Conversations, British Ministers were summoned to a Cabinet meeting on August 22. It was there decided to maintain for the time being the embargo on the export of arms to both Italy and Abyssinia, in the hope that a settlement of the dispute might still be achieved by conciliation. It was also decided to stand by previous

declarations of policy with regard to the League of Nations and the Covenant.

*Italian
Cabinet
Meeting,
August 28,
1935*

The Italian Cabinet met at Bolzano on August 28 at the culmination of the large-scale manoeuvres of several hundred thousand men in the Trentino. It was announced that Italy would attend the League Council meeting on September 4 so as to present the Abyssinian problem "in all its crude reality." A long memorandum would be submitted exposing the shortcomings of Abyssinia in the past fifty years. After the Cabinet meeting, certain important economic measures were promulgated, involving the compulsory cession of foreign credits, the compulsory conversion of foreign investments into Government bonds, the investment of commercial profits in excess of 6 per cent. in Government bonds, and the employment of substitute in place of imported fuels in all public service vehicles by the end of 1937.

*The Rickett
Affair*

On August 31 the world learnt with amazement that an Englishman (Mr. Rickett), said to be backed by Anglo-American capital, had obtained a concession from the Emperor to exploit all the mineral resources in the eastern and south-eastern half of Abyssinia. The British Foreign Office and the United States State Department immediately denied all knowledge of these private negotiations. It was not, however, until September 3 that the suspicions of the French and Italian press were finally dispelled. On that day the United States State Department announced that the Socony-Vacuum Oil Company had informed Mr. Cordell Hull that their company owned the concession granted to the African Exploration and Development Corporation, and were prepared to terminate their part in it. The situation was further complicated by the publication of a letter from the Abyssinian Minister in London to a Mr. Chertok, promising him an equally sweeping concession in exchange for a loan of not less than \$1 million. But though Mr. Rickett continued to assert his rights, the incident lost political significance almost as quickly as it had gained it.

*The
Conciliation
Commission's
Report*

Under the terms of the Council decision of August 3, the Conciliation Commission met again in Paris and Berne, and finally on August 28 M. Politis¹ was called in to act as a fifth arbitrator. Under his chairmanship the Commission published a unanimous report on September 4. This report stated that neither the Italian Government nor their local agent could be held responsible for the actual incident at Walwal. The allega-

(1) See above, page 37, note 2.

tions brought against them by Abyssinia were held to be disproved in particular by the many precautions taken by them to prevent any incident on the occasion of the assembling at Walwal of Abyssinian troops, and also by the absence of any interest in provoking the engagement of December 5, 1934. The Commission also found that the Abyssinian Government by their attitude and particularly by the concentration and maintenance after the departure of the Anglo-Abyssinian Commission, of numerous troops in proximity to the Italian line, might have given the impression of aggressive intentions, but that, nevertheless, it had not been shown that they could be held responsible for the actual incident. Two diametrically opposite accounts had been given of the origin of the first shot fired, and the arbiters were inclined to think that the incident was due to an unfortunate chain of circumstances. It was quite comprehensible, they stated, that in the nervous state of mind of the opposing forces, this shot had "led to the regrettable results which ensued." As to subsequent incidents, a careful examination of the facts alleged on both sides showed that the first (which followed on Walwal) was of an accidental character, and that "the others were for the most part not serious, and of very ordinary occurrence in the region in which they took place." In these circumstances the Commission was of opinion that in respect of these minor incidents no intentional responsibility need be involved.

*The League
Council,
September 4,
1935*

The League Council met on September 4, as arranged a month previously. Mr. Eden presented his report on the Three-Power Conversations in Paris, giving a full account of the proposals rejected by Italy. He concluded his speech with a fervent appeal for further negotiation through the League machinery. Mr. Eden's appeal was warmly supported by M. Laval, but Baron Aloisi repeated that the proposals made by Mr. Eden and M. Laval were wholly unacceptable, and submitted a long statement, together with diplomatic documents, constituting a detailed indictment of Abyssinia.

*The Italian
Indictment
of Abyssinia*

For 40 years relations had been characterized by the refusal of Abyssinia to delimit the frontiers, by offences against Italian diplomatic representatives, and by attacks on the lives and possessions of Italian subjects both in Abyssinia and in Italian territory. This showed that Abyssinia had openly and deliberately violated all the pledges she had made towards Italy.

The internal condition of the country was such that it could not "achieve alone that profound revolution which would place

it in a position to be no longer a menace to the neighbouring Italian colonies."

Reference was made to the various spheres of influence into which Abyssinia was divided by the accords of 1891, 1894, 1906 and 1925, and quotations given to show that the largest zone was assigned to Italy.

The circumstances of Abyssinia's admission to and membership of the League were outlined, and it was submitted that as she had failed to fulfill her obligations, Members of the League should not be asked to observe the rules of the Covenant in their relations with a member who had put herself outside by violating her pledges.

Baron Aloisi subsequently informed representatives of the foreign press that his statement before the Council was final and irrevocable: Italy would have no further discussion of any kind with Abyssinia, whom she considered "outside the law." This threat was carried into action in dramatic fashion the next day, when Baron Aloisi left the Council room as Professor Jèze, the representative of Abyssinia, began to speak. He was soon afterwards followed by his deputy, Signor Rocco, as a protest against the "insolence" of Professor Jèze's remarks.

M. Litvinov, who spoke next, said he could not approve of the attitude of the Italian delegate, who had suggested that the Council should dissociate itself from the dispute. Nor could he agree with Italian arguments. Nothing in the Covenant permitted of a discrimination between members of the League on grounds of their domestic government, or of their difference of race and civilization.

Meanwhile Mr. Eden and M. Laval were making strenuous efforts to secure the appointment of a Council Committee of conciliation to examine the Italian memorandum on conditions in Abyssinia. The suggestion that this committee should include representatives of Great Britain, France, Poland, Spain and Turkey was opposed by Italy, on the grounds that Great Britain and France were "interested" parties. But the Polish and Turkish delegates refused to serve without the British and French delegates, and finally the Italian objections were withdrawn.

The Council Committee of Five was appointed on September 6. Its terms of reference provided that "it should be entrusted with an enquiry into all aspects of the relations between Italy and Ethiopia, with a view to finding a peaceful settlement." On September 9 this Committee appointed a sub-committee of

experts, representing the same five delegations, to examine in detail the Italian memorandum.

*Fresh
Abyssinian
Proposals*

On September 9 the Abyssinian representatives at Geneva received new instructions from the Emperor. These showed that he was now willing to accept foreign advisers proposed by the League, on condition that he reserved to himself the final decision as to the authorities to which they must be responsible. He was also ready to cede part of the Ogaden in exchange for payment, or for an equivalent grant of territory; to grant Italy a road and railway from the Eritrean frontier to Gondar; and to reopen negotiations concerning the Addis Ababa-Dessie-Assab road provided for in the Treaty of 1928.

*The League
Assembly,
September 9,
1935*

On the same day the annual session of the League Assembly began. This was remarkable for a comprehensive exposition of British foreign policy in regard to the League by Sir Samuel Hoare. In the course of his speech he said:—

“ The obligations of the Covenant remain ; their burden upon us has been increased manifold. But one thing is certain. If the burden is to be borne, it must be borne collectively. If risks for peace are to be run, they must be run by all. The security of the many cannot be ensured solely by the efforts of a few, however powerful they may be. On behalf of His Majesty's Government in the United Kingdom I can say that they will be second to none in their intention to fulfil, within the measure of their capacity, the obligations which the Covenant lays upon them.

“ . . . But it is not enough to insist collectively that war shall not occur, or that war, if it occurs, shall be brought to an end. Something must also be done to remove the causes from which war is apt to arise . . . The justice of a claim is not necessarily in proportion to the national passions which are aroused in support of it—they may be deliberately aroused by what I regard as one of the most dangerous features of modern life—government propaganda. . . . Yet the fact remains that some countries either in their native soil or in their colonial territories do possess what appears to be a preponderance of advantages, and that others less favoured view the situation with anxiety. . . .

“ . . . The view of His Majesty's Government is that the problem is economic rather than political or territorial. It is the fear of monopoly—of the withholding of essential colonial raw materials—that is causing alarm. It is the desire for a guarantee that the distribution of raw materials will not be unfairly impeded that is stimulating the demand for further enquiry. So far as His Majesty's Government is concerned I feel sure that we should be ready to take our share in an investigation of these matters. . . .

“ . . . In conformity with its precise and explicit obligations the League stands, and my country stands with it, for the collective maintenance of the Covenant in its entirety, and particularly for steady and collective resistance to all acts of unprovoked aggression. The

attitude of the British nation in the last few weeks has clearly demonstrated the fact that this is no variable and unreliable sentiment, but a principle of international conduct to which they and their Government hold with firm, enduring and universal persistence.

"There, then, is the British attitude towards the Covenant. I cannot believe that it will be changed so long as the League remains an effective body, and the main bridge between the United Kingdom and the Continent remains intact."

Two days later, the eagerly awaited declaration of M. Laval affirmed that :—

"The policy of France is based entirely upon the League of Nations. The whole of our agreements with our friends and with our allies nowadays pass through Geneva or lead up to Geneva. Let me only recall the Locarno Treaty, our agreements with the Little Entente, the Franco-Soviet Pact, and the agreements with Rome. . . .

"No country welcomed the words of the British Secretary of State with more satisfaction than did France. . . .

"I am speaking on behalf of a country which does not fear war, but hates it, a country determined to remain strong and which, endowed with the highest military virtues, is animated by an ardent will for peace. We feel no hostility towards any nation. We desire peace for all through the collaboration of all.

"It is not without emotion that, after having signed the Rome agreements, I to-day refer to the dispute which is weighing so heavily upon this Assembly. . . . At Stresa with the United Kingdom delegates we met under the chairmanship of the head of the Italian Government. There we found the same desire and the same will to serve the cause of peace. I know that he is prepared to persevere in such collaboration. That will show the price, the value which I attach to the maintenance of such solidarity in the very interests of the European community and of European peace.

"I have spared no effort for conciliation. We all have the same desire for agreement, and in the supreme attempt which is being made by the Council I shall once more have the satisfaction of discharging my duty as a member of the League of Nations and also the duty that is dictated by friendship. I maintain the hope that the Council may, within a short space of time, be able to discharge its task of conciliation. . . .

"The question of the Saar and the dispute between Hungary and Yugoslavia were European problems, but could we deduce from the fact that they were therefore any the easier to settle? We succeeded yesterday; shall we fail to-morrow? In that case a new situation, more disturbing still for all of us, would call for our examination. We are all bound by a solidarity which will determine our duty. Our obligations are inscribed in the Covenant. France will not fail to discharge them."

The lead given by Great Britain and France was wholeheartedly supported by all other speakers at the Assembly, notably the

representatives of the British Dominions, the U.S.S.R., the Little and Balkan Ententes, Scandinavia, and the Low Countries.

*The attitude
of the non-
League
Powers*

The attitude of the United States to the dispute was clearly shown by the accelerated passage by Congress of a Neutrality Resolution, signed by the President on August 31, providing the President with mandatory power upon the outbreak of war in any part of the world to prohibit the export of "arms, ammunition, or implements of war" to both parties. He was further authorised to prohibit American vessels from carrying munitions to belligerents; to warn American citizens against entering war zones or travelling on belligerent vessels; and to prohibit submarines from entering American ports. It was provided that "the President shall by proclamation enumerate the arms, ammunition or implements of war" concerned; but it was understood that the definition would not be interpreted to cover raw materials indispensable for the waging of war, such as cotton, copper, steel, and chemicals.¹ It is important to note that the President was not given the power to discriminate between the combatants in the application of the embargo, and that the Resolution was only to remain valid until February 29, 1936.

On September 12 Mr. Cordell Hull, the Secretary of State, said that his Government desired not to overlook "the slightest opportunity of co-operating in every way deemed practicable in the light of our policies for the preservation of peace."

"With goodwill to all nations, the American Government asks of those countries which appear to be contemplating armed hostilities that they weigh most solicitously the declaration and pledge given in the Pact of Paris . . ."

The attitude of Germany has on the whole been one of discreet impartiality and watchful anticipation of developments at Geneva and elsewhere. Since May a gradual change of attitude has been perceptible. Criticism of the League and sympathy with Italy's aspirations have become more and more definite, culminating in Herr Hitler's friendly reception of the new Italian Ambassador's overtures on September 9. In his speech to the special session of the Reichstag on September 15, however, Herr Hitler referred to Germany's neutrality: "We do not," he said, "want to concern ourselves with matters which are not our business, and do not want to be drawn into them."

(1) The Export-Import Bank at Washington, however, had already on August 8 refused a credit to Italy for the purchase of raw cotton.

The course of Japanese policy has not always been clear. At the beginning of August there were savage attacks on Japan by the Italian press when the Japanese expressed their sympathy for Ethiopia, although rumours of more concrete support were denied. This denial led to an improvement of Italo-Japanese relations, which was emphasized by the visit of a Japanese military mission to Italy.¹ At the end of the month friendly references to Italy appeared in the Japanese press and were reciprocated in Italy by mention of "political solidarity." But shortly after this there were rumours of Japanese shipments of arms to Ethiopia and of concessions. These, however, were officially denied. On September 11 an Abyssinian mission reached Shanghai on its way to establish a Legation in Tokyo.

*Italian
Policy*

The course of Italian policy continued however apparently unchanged. An official communique issued after the meeting of the Italian Cabinet called on September 14, stated that :—

"From the military point of view our preparation in East Africa is proceeding with greater intensity . . . In view of the unrest manifested by certain native exiles of Cyrenaica, our defences in Libya are now being reinforced.² On the basis of detailed information the Duce showed that the whole of the military, naval, and air forces are such as to be able to reply to any threat whatsoever, from wherever it may come . . . The Council of Ministers . . . feels it its duty to re-confirm in the most explicit manner that the Italo-Ethiopian problem does not admit of a compromise solution after the immense efforts and sacrifices made by Italy."

On September 17, the *Matin* published an interview with Signor Mussolini in which he said :—

"Italy, who is a lover of peace, wishes for peace, but only wishes for it if it is based on justice. She will go quite straight in what she thinks to be the path of right and that of her vital necessities . . . No, it is not a game of poker ; but nevertheless Italy has in her hand a card which represents her whole life and this card she will play. We shall go straight ahead. You must thoroughly understand that never from our side will come any hostile act against a European nation, but if one is committed against us, well it means war. Italy does not want it, but she is not afraid of it . . . Does France, whose effort—made in a friendly and largely European spirit—I recognize, want sanctions ? That is all I would ask her, placed as she is in such a delicate position. As for the others, let them realise this, to take sanctions would be to run the risk of re-making the map of Europe."

Chatham House,

September 19, 1935.

(1) *Le Temps*, August 20, 1935 ; *Corriere della Sera*, August 24, 1935.

(2) It was reported on September 18, that 47,000 Italian troops were now in Libya.

APPENDIX I.

ARTICLES OF THE LEAGUE COVENANT REFERRED TO IN THE TEXT.

ARTICLE 10.

The Members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all Members of the League. In case of any such aggression or in case of any threat or danger of such aggression, the Council shall advise upon the means by which this obligation shall be fulfilled.

ARTICLE 11.

1. Any war or threat of war, whether immediately affecting any of the Members of the League or not, is hereby declared a matter of concern to the whole League, and the League shall take any action that may be deemed wise and effectual to safeguard the peace of nations. In case any such emergency should arise, the Secretary-General shall, on the request of any Member of the League, forthwith summon a meeting of the Council.

2. It is also declared to be the friendly right of each Member of the League to bring to the attention of the Assembly or of the Council any circumstance whatever affecting international relations which threatens to disturb international peace or the good understanding between nations upon which peace depends.

ARTICLE 12.

The Members of the League agree that if there should arise between them any dispute likely to lead to a rupture, they will submit the matter either to arbitration or judicial settlement or to inquiry by the Council, and they agree in no case to resort to war until three months after the award by the arbitrators or the judicial decision, or the report by the Council.

In any case under this Article the award of the arbitrators or the judicial decision shall be made within a reasonable time, and the report of the Council shall be made within six months after the submission of the dispute.

ARTICLE 15.

1. If there should arise between Members of the League any dispute likely to lead to a rupture, which is not submitted to arbitration or judicial settlement in accordance with Article 13, the Members of the League agree that they will submit the matter

to the Council. Any party to the dispute may effect such submission by giving notice of the existence of the dispute to the Secretary-General, who will make all necessary arrangements for a full investigation and consideration thereof.

2. For this purpose, the parties to the dispute will communicate to the Secretary-General, as promptly as possible, statements of their case with all the relevant facts and papers, and the Council may forthwith direct the publication thereof.

3. The Council shall endeavour to effect a settlement of the dispute, and if such efforts are successful, a statement shall be made public giving such facts and explanations regarding the dispute and the terms of settlement thereof as the Council may deem appropriate.

4. If the dispute is not thus settled, the Council either unanimously or by a majority vote shall make and publish a report containing a statement of the facts of the dispute and the recommendations which are deemed just and proper in regard thereto.

5. Any Member of the League represented on the Council may make public a statement of the facts of the dispute and of its conclusions regarding the same.

6. If a report by the Council is unanimously agreed to by the members thereof, other than the Representatives of one or more of the parties to the dispute, the Members of the League agree that they will not go to war with any party to the dispute which complies with the recommendations of the report.

7. If the Council fails to reach a report which is unanimously agreed to by the members thereof, other than the Representatives of one or more of the parties to the dispute, the Members of the League reserve to themselves the right to take such action as they shall consider necessary for the maintenance of right and justice.

8. If the dispute between the parties is claimed by one of them, and is found by the Council, to arise out of a matter which by international law is solely within the domestic jurisdiction of that party, the Council shall so report, and shall make no recommendation as to its settlement.

9. The Council may in any case under this Article refer the dispute to the Assembly. The dispute shall be so referred at the request of either party to the dispute provided that such request be made within fourteen days after the submission of the dispute to the Council.

10. In any case referred to the Assembly, all the provisions of this Article and of Article 12 relating to the action and powers

of the Council shall apply to the action and powers of the Assembly, provided that a report made by the Assembly, if concurred in by the Representatives of those Members of the League represented on the Council and of a majority of the other Members of the League, exclusive in each case of the Representatives of the parties to the dispute, shall have the same force as a report by the Council concurred in by all the Members thereof other than the Representatives of one or more of the parties to the dispute.

ARTICLE 16.

1. Should any Member of the League resort to war in disregard of its covenants under Articles 12, 13, or 15, it shall *ipso facto* be deemed to have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between their nations and the nationals of the covenant-breaking State, and the prevention of all financial, commercial, or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State, whether a Member of the League or not.

2. It shall be the duty of the Council in such case to recommend to the several Governments concerned what effective military, naval, or air force the Members of the League shall severally contribute to the armed forces to be used to protect the covenants of the League.

3. The Members of the League agree, further, that they will mutually support one another in the financial and economic measures which are taken under this Article, in order to minimise the loss and inconvenience resulting from the above measures, and that they will mutually support one another in resisting any special measures aimed at one of their number by the covenant-breaking State, and that they will take the necessary steps to afford passage through their territory to the forces of any of the Members of the League which are co-operating to protect the covenants of the League.

4. Any Member of the League which has violated any covenant of the League may be declared to be no longer a Member of the League by a vote of the Council concurred in by the Representatives of all the other Members of the League represented thereon.

ARTICLE 20.

1. The Members of the League severally agree that this Covenant is accepted as abrogating all obligations or understandings *inter se* which are inconsistent with the terms thereof,

and solemnly undertake that they will not hereafter enter into any engagements inconsistent with the terms thereof.

2. In case any Member of the League shall, before becoming a Member of the League, have undertaken any obligations inconsistent with the terms of this Covenant, it shall be the duty of such Member to take immediate steps to procure its release from such obligations.

ARTICLE 21.

Nothing in this Covenant shall be deemed to affect the validity of international engagements, such as treaties of arbitration or regional understandings like the Monroe Doctrine, for securing the maintenance of peace.

APPENDIX II.

THE INTERNATIONAL STATUS OF THE SUEZ CANAL.¹

The free navigation of the Suez Canal² was guaranteed by the Convention between Great Britain, Austria-Hungary, France, Germany, Italy, the Netherlands, Russia, Spain, and Turkey,³ respecting the Free Navigation of the Suez Maritime Canal, signed at Constantinople on October 29, 1888. The text of this Convention is given in Volume 79 of British and Foreign State Papers, page 18.⁴

The essence of the Convention is contained in the first of its seventeen articles, which lays down that :

The Suez Maritime Canal shall always be free and open, in time of war as in time of peace, to all merchant or war vessels without flag discrimination.

Consequently, the High Contracting Parties agree in no way to prevent the free use of the Canal in time of war as in time of peace.

The Canal shall never be used for the exercise of the right of blockade.

The provisions of the other relevant Articles are as follows :—

ARTICLE IV.—The Maritime Canal remaining open in time of war as a free passage, even to the ships of war of belligerents, according to the terms of Article I of the present Treaty, the High Contracting Parties agree that no right of war, no act of hostility, nor any act having for its object to obstruct the free navigation of the Canal, shall be committed in the Canal and its ports of access, as well as within a radius of 3 marine miles from those ports, even though the Ottoman Empire⁵ should be one of the belligerent Powers.

Vessels of war of belligerents shall not revictual or take in stores in the Canal and its ports of access, except in so far as may be strictly necessary. The transit of the aforesaid vessels through the Canal shall be effected with the least possible delay, in accordance with the Regulations in force, and without any other intermission than that resulting from the necessities of the service.

(1) For a fuller study of this question see *Bulletin of International News*, Vol. XII. No. 3, August 17, 1935.

(2) The Canal is administered by a Company registered in Paris, and subject partly to Egyptian and partly to French Law. Of its 32 Directors, 21 are French, 10 British and one Dutch. The number of shares held by the British Government amounts to 44% of the total.

(3) The validity of the signatures of Austria, Hungary, Germany and Turkey lapsed with the Great War, but was revived respectively by Article 234 of the Treaty of Saint-Germain, Article 217 of the Treaty of Trianon, Article 282 of the Treaty of Versailles, and Article 99 of the Treaty of Lausanne.

(4) For an account of the negotiations leading up to the signing of this Convention and of its subsequent history, see Sir Arnold Wilson : *The Suez Canal* (Oxford University Press, 1933).

(5) By Article 252 of the Treaty of Versailles and Article 107 of the Treaty of St. Germain, Germany and Austria consented to the transfer to Great Britain "of the powers conferred upon His Majesty the Sultan" by the Convention of 1888. By Article 17 of the Treaty of Lausanne, Turkey renounced "all rights and titles over Egypt and over the Sudan" as from November 5, 1914.

Their stay at Port Said and in the roadstead of Suez shall not exceed twenty-four hours, except in the case of distress. In such case they shall be bound to leave as soon as possible. An interval of twenty-four hours shall always elapse between the sailing of a belligerent ship from one of the ports of access and the departure of a ship belonging to the hostile Power.

ARTICLE V.—In time of war belligerent Powers shall not disembark nor embark within the Canal and its ports of access either troops, munitions, or materials of war. But in case of an accidental hindrance in the Canal, men may be embarked or disembarked at the ports of access by detachments not exceeding 1,000 men, with a corresponding amount of war material.

ARTICLE IX.—The Egyptian Government shall, within the limits of its powers resulting from the Firmans, and under the conditions provided for in the present Treaty, take the necessary measures for insuring the execution of the said Treaty.

In case the Egyptian Government should not have sufficient means at its disposal, it shall call upon the Imperial Ottoman Government, which shall take the necessary measures to respond to such appeal; shall give notice thereof to the Signatory Powers¹ of the Declaration of London of the 17th March, 1885; and shall, if necessary, concert with them on the subject.

The provisions of Articles IV, V, VII, and VIII shall not interfere with the measures which shall be taken in virtue of the present Article.

ARTICLE X.—Similarly, the provisions of Articles IV, V, VII, and VIII shall not interfere with the measures which His Majesty the Sultan and His Highness the Khedive, in the name of His Imperial Majesty, and within the limits of the Firmans granted, might find it necessary to take for securing by their own forces the defence of Egypt and the maintenance of public order.

In case His Imperial Majesty the Sultan, or His Highness the Khedive, should find it necessary to avail themselves of the exceptions for which this Article provides, the Signatory Powers of the Declaration of London shall be notified thereof by the Imperial Ottoman Government. . . .

ARTICLE XI.—The measures which shall be taken in the cases provided for by Articles IX and X of the present Treaty shall not interfere with the free use of the Canal. In the same cases, the erection of permanent fortifications contrary to the provisions of Article VIII is prohibited.

Ratifications of the Convention were deposited in December, 1888. Great Britain, however, withheld ratification as her signature had been subject to the reservation that it was not to become effective "in view of the transitional state of Egypt at the time" during the British occupation. In accordance with the Anglo-French Agreement of 1904 the British Government agreed to give effect to the Convention on condition that the provision of Article VIII² concerning its annual supervision by the agents of the signatory Powers in Egypt remained in abeyance.

(1) The Signatories of the Convention, with the exception of Spain and the Netherlands.

(2) Last sentence of paragraph 1, and paragraph 2 of Article VIII.

The question of closing the Suez Canal, in the hypothetical case of Italy being declared an aggressor by the League, has been raised in the House of Commons¹ and widely discussed. Thus an examination of the provisions of the Convention and the legal position with regard to the execution of such a decision is not out of place.

Article I lays down unequivocally that the Canal shall always be free and open to vessels of all kinds and of every flag, and the Contracting Parties undertake not to interfere with this freedom. Articles IV, V and VI contain the rules to be applied to the vessels of belligerents in the event of war.

To this freedom there is one reservation. As the Canal runs through territory lying within the jurisdiction of a sovereign State it is natural that the right of that State to take legitimate action in self-defence should be reserved. Articles IX and X allocate to the Egyptian Government the task of insuring the execution of the treaty and the right to secure by its own forces the defence of Egypt and the maintenance of public order. While Article XI states that measures under the two preceding Articles shall not interfere with the free use of the Canal, the view has always been taken in Great Britain that the obligation to insure the safety of the Canal is paramount.

The provisions of the Convention are, therefore, clear: subject only to the exercise of the right of legitimate self-defence and to action to insure the safety of the Canal, there can be no restriction, provided that the rules are observed, on the free use of the Canal.

On two occasions in the past the Canal has been closed, and on a third the question of free use was raised.

The first was in 1882 (and therefore before the signature of the Convention) when, during the revolt of Arabi Pasha against the Khedive of Egypt, the safety of the Canal was thought to be imperilled. Before the battle of Tel-el-Kebir British troops² under Sir Garnet Wolseley were landed at Suez and Port Said, and British ships were stationed at the latter. For three days the Canal was in British hands and ships in the Canal or entering it were stopped. This action was carried out under a decree of the Khedive, dated August 15, 1882, which recognised "the military occupation charged to re-establish order in Egypt,

(1) By Mr. Attlee and Mr. Mander in the debate on Italy and Abyssinia: see *Hansard*, June 7, 1935, Coll. 2188-2189 and 2191-2192.

(2) After the Ottoman Government had expressed its unwillingness to take action in support of the Khedive and France had rejected an invitation to co-operate, Great Britain decided to send an expeditionary force.

and authorized them to occupy all the ports necessary." The action of British troops was, therefore, undertaken for the benefit of and at the invitation of the territorial Power. The incident, however, raised the question of free use and gave rise to certain negotiations, which resulted in the conclusion of the Convention of 1888.

During the Spanish-American war of 1898 the attempt of the Spanish Fleet to coal at Suez on its way through the Canal was frustrated by the Canal authorities in accordance with the provisions of Article IV of the Convention.¹

The third occasion on which the Canal was closed was during the Great War, when free access and transit were stopped for a short period during which Egyptian territory and the safety of the Canal were actually endangered by the advance of the Turkish forces. During the rest of the war the freedom of the Canal was maintained. Certain enemy ships found themselves or took refuge in the Canal when war broke out; they were offered a free pass, but when they refused to accept it or sought to make use of the Canal merely as a place of refuge, they were conducted outside territorial waters. During the war British command of the seas at both ends of the Canal effectively prevented enemy vessels from approaching it.

While these instances of closure have no direct bearing upon the present situation, they are interesting for the light they throw on the legal position. It is clear that the freedom of the Canal is guaranteed, subject only to certain minor restrictions upon belligerents² and to the reservations regarding the defence of Egyptian territory.

This being the case a legal basis for closing the Canal must be sought elsewhere. It has been suggested that the Council of the League of Nations should, in the hypothetical case mentioned, decide upon the closing of the Canal as a sanction against Italy under Article 16 of the Covenant. Such action naturally presupposes resort to war by Italy "in disregard of its covenants under Articles 12, 13 or 15" whereupon "it shall *ipso facto* be deemed to have committed an act of war against all other Members of the League," which undertake to subject it to specified sanctions.³

In this case the closing of the Canal would probably be entrusted to Great Britain, as the agent of Egypt, acting with the co-operation of France.

(1) In the Russo-Japanese War of 1904-5 the Russian Fleet passed through the canal without incident.

(2) See Articles IV, V and VI of the Convention.

(3) See p. 41 above.

Such a decision having been taken by the League the question arises as to whether the League has the legal right to overrule international conventions which have been recognised as valid. By certain Articles of the Peace Treaties of Versailles, St. Germain, Trianon and Lausanne, the validity of the Convention of 1888 has been specifically recognised.¹

To overcome this difficulty it has been suggested that the League Council should decide that the Convention is incompatible with the League Covenant, in that it restricts the liberty of action of the League, and that it should accordingly be abrogated in accordance with Article 20 of the Covenant under which States members agree " that this Covenant is accepted as abrogating all obligations or understandings *inter se* which are inconsistent with the terms thereof . . . "

But as against this it has been pointed out in the Italian review *Affari Esteri*² that the Convention of 1888 has been recognised in two places in the Treaty of Versailles and other peace treaties.³ It is argued, therefore, that a convention which is recognised in two places in the Treaty cannot be abrogated, on the grounds of inconsistency, under an earlier article in the same Treaty.⁴

An alternative proposal put forward is that the terms of the Convention of 1888 might be reconsidered under Article 19 of the Covenant, which provides that " The Assembly may from time to time advise the reconsideration by members of the League of treaties which have become inapplicable . . . "

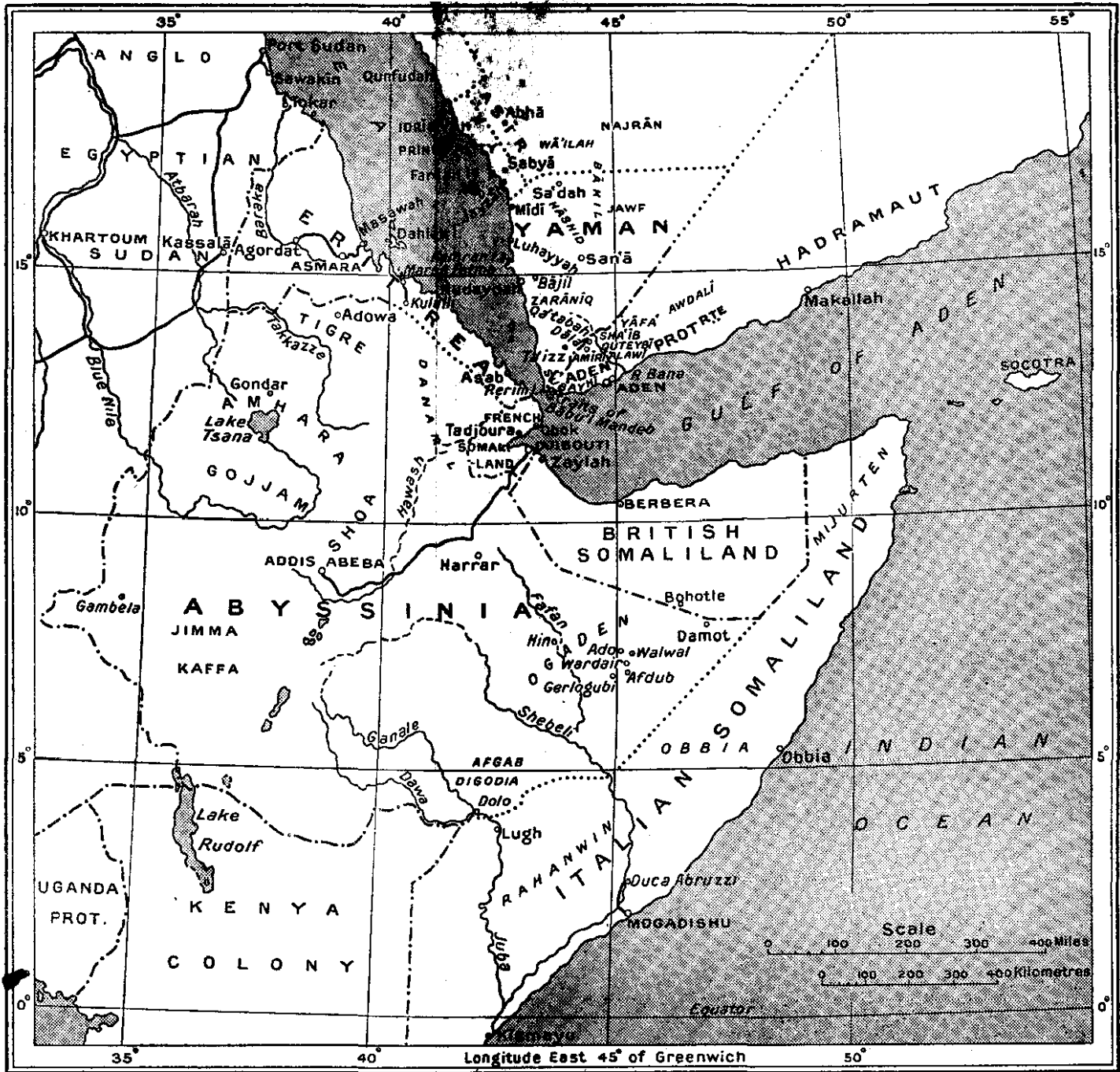
It would, however, seem clear that, according to the strict letter of the law, neither the Convention and the Covenant, as at present interpreted, allow the closing of the Canal. If, on the other hand, Egyptian territory or the Canal zone were threatened sufficient grounds for closure would probably exist ; otherwise closure could be effected only by the method of preventing approach, as during the Great War, and as part of naval measures taken under Article 16 of the Covenant.

(1) See footnotes (3) and (5) on p. 43 above.

(2) " Il Canale di Suez e l'Etiopia," June 15, 1935.

(3) E.g. Treaty of Versailles, Articles 152 and 282.

(4) The Covenant forms Articles 1—26 of the Treaty of Versailles.



Adapted from a map prepared for the *Survey of International Affairs, 1934* (to be issued under the auspices of the Royal Institute of International Affairs in November, 1935), by arrangement with the Oxford University Press.

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SANCTIONS

THE CHARACTER OF INTERNATIONAL SANCTIONS
AND THEIR APPLICATION

Second Edition
Revised and Enlarged

THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS
CHATHAM HOUSE, 10 ST. JAMES'S SQUARE
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1935

INFORMATION DEPARTMENT PAPERS.

The Information Department of the Royal Institute of International Affairs from time to time publishes Papers on international questions. Prepared as occasion demands, these provide a concise and objective statement of the facts essential to an understanding of the current issues with which they deal.

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The Information Department is indebted to the Chatham House Study Group on Sanctions for the use of valuable material collected for the purpose of a comprehensive report which is to be published early in 1936.

PART I. SANCTIONS IN GENERAL

I. WHAT ARE SANCTIONS?

"Sanctions"
a legal
term

A "Sanction" is the name which legal writers give to measures for securing obedience to law. Sanctions can take the form of the infliction of penalties for a breach of law that has been committed, or they may consist of measures taken for the actual prevention of a threatened breach.¹ Sanctions operate in two ways: negatively, in that the knowledge of the will and power to apply them may deter a would-be wrongdoer from transgressing the law; positively, in that their application checks a wrongdoer in the act of transgression or compels him, after a transgression has been committed, to submit to the law and deprives him of the fruits of his transgression.

Sanctions
in the
national
sphere

Before examining the nature of international sanctions it is not out of place to outline their application and operation in the national sphere. Under national systems of law, sanctions usually take the form of penalties for breach of law. In the same sphere the use of physical force is sometimes necessary in order to ensure that law-breaking shall be dealt with by the processes of law. The forcible action then taken is commonly called police action and it is governed by certain clearly defined principles. Its sole object must be to suppress disorder, and thus ensure that the peaceable and orderly process of law shall prevail. It must not be indiscriminate, that is to say it must be applied only to those who are taking part, aiding or abetting the disorder against which it is directed. It must not be punitive, arrogating to itself functions which may only be exercised with the authority of, and after due enquiry by, a competent court. And it must not be vindictive, so as to leave behind it feelings of resentment, or grievance against injustice. Only that precise measure of force necessary to suppress the disorder against which it is directed must be used, and no more.

Police
action

Besides its function of dealing with crime that has actually been committed, or violent disputes which have actually broken out, police action may be preventive. This in no way implies that the police themselves possess powers to punish the criminal, or to settle disputes that may arise. If they were to arrogate to themselves such functions, they would, from the legal point of view, be regarded as partisans. The authority and strength of

(1) There is also in theory such a thing as a sanction operating by way of reward for obedience, but this type of sanction has not been developed in practice.

police action derives from its impartiality, from its direction against all disturbers of the peace alike, and from the assurance that it affords that justice and right shall prevail and not mere material strength.

It is of the essence of law that its sanctions are collective, that is to say, that they are accepted by the community as a necessary element of law to ensure its enforcement and are applied with and by the general authority and not by the individual. It is these conditions which render possible the reign of law in the national sphere.

*Sanctions
in the
international
sphere*

In applying to the international sphere the conditions which make the reign of law possible in the national sphere, care must be taken not to press the analogy between individuals and States too far. It must be remembered that independent States have sovereign rights, and even States Members of the League have accepted only minor restrictions on their sovereignty.

There is also an important distinction to be made between national systems of law and international law. There is no *Corpus Juris* of international law corresponding to national systems and there are no international courts¹ with jurisdiction over all kinds of disputes or transgressions, though the competence of the League Council is wide. In the international sphere there is no permanent, impartial and international police force to suppress disorder, prevent law-breaking, and compel submission and obedience to law.

*The Law
of Nations*

With the establishment of the League of Nations the law of nations was placed on a firmer basis. Two principles were established: first, the observance of the body of rules, generally accepted amongst civilized nations, termed "international law" whether resulting from international engagements such as treaties or otherwise; secondly, the agreement that disputes between nations, whatever their nature may be, shall be settled

(1) The Permanent Court of International Justice set up in 1921 enforces no code of law, but merely passes judgment in cases arising out of breaches of treaties and international obligations, which both parties to a dispute agree to submit to it, or are bound to submit to it by signature of the Optional Clause. It has no power to enforce such submission or the execution of its judgment.

(2) According to international law as generally accepted up to 1914, to go to war, even as an aggressor, was technically no crime. International law did not contradict Clausewitz's definition of war as a part of policy, and accepted war as a normal instrument of policy. Once war was declared, international law contented itself with defining the rights and duties of both belligerents and neutrals; the rights allowed to, or duties prescribed for, a belligerent depended in no way upon whether he was an aggressor or a victim of unprovoked or unjust attack. The result of war, as decided by the arbitration of arms between the antagonists, was not open to question on legal grounds by any other Power; juridically, it was accepted by the world as final.

by pacific means, that is to say by agreement between the parties to the dispute or by some judicial process, and not by war.

*The League
Covenant*

These principles are embodied in the Covenant of the League of Nations and all Members of the League are pledged to carry them out. In its various articles the Covenant (1) guarantees the territory and political independence of States Members (Article 10), and provides for (2) the peaceful settlement of disputes (Articles 11, 12, 13, 14, 15); (3) precautionary measures in case of danger or threat of war or external aggression (Articles 10 and 11); (4) sanctions against a wrongdoer, potential or actual (Articles 10, 11, 13, 15, 16 and 17); (5) reconsideration of treaties which have become inapplicable and the consideration of international conditions which might endanger peace by their continuation in force (Article 19). The Articles of the Covenant hang together and each one must be considered in relation to the whole.

2. THE LEGAL BASIS FOR THE APPLICATION OF SANCTIONS UNDER THE LEAGUE COVENANT.

Article 16 of the League Covenant is the principal sanctions article, and is the *only* article which prescribes definite measures to be applied against a State which has, by resorting to war in violation of its engagements under the Covenant, unequivocally proved itself to be a transgressor. The other Articles, *e.g.*, Articles 10, 11, 13 para. 4, 15 paras. 6 and 7, and 17, include in their scope the consideration of acts of potential or actual transgression and the recommendation by the Council of such measures as appear necessary to warn or deter a potential wrongdoer.

*Unanimity
Rule*

In examining the position under these various Articles it is important to bear in mind the fact that, in accordance with Article 5 of the Covenant:

"Except where otherwise expressly provided in this Covenant¹ or by the terms of the present Treaty, decisions at any meeting of the Assembly or of the Council, shall require the agreement of all the Members of the League represented at the meeting."

All matters of procedure, on the other hand, according to Article 5, para. 2, may be decided by a majority of those present. It must be noted that recommendations also, as distinct from decisions, according to the accepted practice, do not require unanimity.

Article 4, para. 5, lays down that:

(1) The exceptions are in Article 15 paras. 6, 7 and 10, and in Article 16.

" Any Member of the League not represented on the Council shall be invited to send a representative to sit as a member at any meeting of the Council during the consideration of matters specially affecting the interests of that Member of the League."

Article 10

In accordance with Article 10 the Members of the League undertake :

" to respect and preserve as against external aggression the territorial integrity and existing political independence of all Members of the League. In case of any such aggression or in case of any threat or danger of such aggression, the Council shall advise upon the means by which this obligation shall be fulfilled."

It will be noted that the second part of the Article applies equally to aggression already committed and to any threat or danger of such aggression. But this Article lays down no definite criterion of aggression as a condition to be fulfilled before it can be applied ; in this it is unlike Article 16. The discussions which have taken place at various times regarding the obligations under Article 10 have shown " the extreme difficulty of obtaining unanimous agreement in advance as to what might be the full scope of those obligations."¹ A particular act may be deemed to raise, or not to raise, a presumption of aggression having regard to the circumstances under which it was committed. The League Committee of Arbitration and Security considered that certain criteria of aggression should be drawn up. Such a list was drawn up by the Committee's *Rapporteur* in 1928,² who pointed out in his report that " the action which the Council has to take in case of a conflict, in virtue of Article 11 and other articles of the Covenant, will provide it with valuable material which will assist it in determining the aggressor, in case war should break out . . . It is clear that the nature and extent of co-operation which the parties to the dispute are willing to afford to the Council cannot fail to exercise considerable influence upon the decision of that body." Recommendations and advice may be given by the Council to Members by a simple majority and there is nothing to prevent the Council from recommending to Members, in order to fulfil their obligations to prevent external aggression, that the measures specified in Article 16 should be applied in whole or in part. In any case each State has the same right under Article 10 as under Article 16 to decide for itself, before applying the prescribed measures, whether the *casus foederis* has arisen, that is to say, whether the specific conditions upon which its obligations depend have been fulfilled.

(1) cf. *Memorandum on Articles 10, 11 and 16 of the Covenant* by M. Rutgers. League Document C.A.S. 10. 1928.

(2) *Loc. cit.*

Article 11

Article 11 covers all cases of war or threat of war. In this respect its scope is wider than that of Articles 10, 16 and 17, which deal only with certain categories of aggression (*i.e.*, external aggression threatening political independence and territorial integrity, and resort to war in disregard of Articles 12, 13 or 15). It reads as follows :

1. " Any war or threat of war, whether immediately affecting any of the Members of the League or not, is hereby declared a matter of concern to the whole League, and the League shall take any action that may be deemed wise and effectual to safeguard the peace of nations. In case any such emergency should arise, the Secretary-General shall, on the request of any Member of the League, forthwith summon a meeting of the Council.

2. It is also declared to be the friendly right of each Member of the League to bring to the attention of the Assembly or of the Council any circumstance whatever affecting international relations which threatens to disturb international peace or the good understanding between nations upon which peace depends."

The terms of reference for the Council's action laid down in the first part of the Article are extremely general, *i.e.* " any action that may be deemed wise and effectual to safeguard the peace of nations." In fact they have been interpreted¹ as allowing " of any action which does not imply recourse to war against the recalcitrant State." Any measures taken under this Article would have a preventive character. Further, in the absence of any special undertaking to that effect, States Members are not under a direct legal obligation to comply with the Council's recommendations under the Article.²

Article 13,
para. 4

The fourth paragraph of Article 13 provides that Members of the League

" . . . will not resort to war against a Member of the League which complies therewith [any arbitral award rendered]. In the event of any failure to carry out such an award, the Council shall propose what steps should be taken to give effect thereto."

It has been considered that any action taken by the Council under this Article must be limited to the achievement of the object specified.

Article 15,
paragraphs
6 and 7

The position under paras. 6 and 7 of Article 15 is that the Council has drawn up a Report containing recommendations for a settlement and this Report has been adopted by the Council unanimously or only by a majority without in either case counting the votes of the parties to the dispute.

(1) cf. *Report by the Committee of the Council, 1927.* League Document, A. 14. 1927.

(2) cf. *Report of Legal sub-Committee of the Committee of Thirteen on Economic and Financial Measures, June 28, 1935.* League Document, C.O. S.C/6. 1935.

(i) In the case of unanimous adoption (para. 6)

"the Members of the League agree that they will not go to war with any party to the dispute which complies with the recommendation of the Report."

If one party to the dispute rejects the Report and attacks the other party which has accepted it, it renders itself liable to sanctions.

(ii) In the case of the adoption of the Report by a majority only it has no legal force and consequently (para. 7)

"the Members of the League reserve to themselves the right to take such action as they shall consider necessary for the maintenance of right and justice."

Article 16

The provision for sanctions under Article 16 differs from that contained in other Articles in that it is specific in regard to (a) the test of aggression, (b) the *casus foederis* for States Members of the League, and (c) the measures to be applied. It reads:—

1. "Should any Member of the League resort to war in disregard of its covenants under Articles 12, 13 or 15, it shall *ipso facto* be deemed to have committed an act of war against all other Members of the League¹, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between their nationals and the nationals of the Covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State, whether a Member of the League or not.

2. "It shall be the duty of the Council in such case to recommend to the several Governments concerned what effective military, naval or air force the Members of the League shall severally contribute to the armed forces to be used to protect the covenants of the League.

3. "The Members of the League agree, further, that they will mutually support one another in the financial and economic measures which are taken under this Article, in order to minimise the loss and inconvenience resulting from the above measures, and that they will mutually support one another in resisting any special measures aimed at one of their number by the covenant-breaking State, and that they will take the necessary steps to afford passage through their territory to the forces of any of the Members of the League which are co-operating to protect the covenants of the League.

4. "Any Member of the League which has violated any covenant of the League may be declared to be no longer a Member of the League by a vote of the Council concurred in by the representatives of all the other Members of the League represented thereon."

Article 17

Provision is made in Article 17 for disputes in which non-Members of the League are involved, with or without a Member of the League being a party to the dispute. Non-Members are

(1) This constitutes the test of aggression and the *casus foederis*.

invited for the purpose of the dispute to accept the obligations of League membership and the procedure laid down in Articles 12-16 of the Covenant. If a non-Member refuses the invitation and resorts to war against a Member of the League the provisions of Article 16 become applicable. The text of the article reads :—

1. " In the event of a dispute between a Member of the League and a State which is not a Member of the League, or between States not Members of the League, the State or States not Members of the League shall be invited to accept the obligations of membership in the League for the purposes of such dispute, upon such conditions as the Council may deem just. If such invitation is accepted, the provisions of Articles 12 to 16 inclusive shall be applied with such modifications as may be deemed necessary by the Council.

2. Upon such invitation being given, the Council shall immediately institute an enquiry into the circumstances of the dispute and recommend such action as may seem best and most effectual in the circumstances.

3. If a State so invited shall refuse to accept the obligations of membership in the League for the purposes of such dispute, and shall resort to war against a Member of the League, the provisions of Article 16 shall be applicable as against the State taking such action.

4. If both parties to the dispute when so invited refuse to accept the obligations of membership in the League for the purposes of such dispute, the Council may take such measures and make such recommendations as will prevent hostilities and will result in the settlement of the dispute."

SANCTIONS UNDER ARTICLE 16.

The scope of Article 16 and the obligations it imposes on States Members of the League have been the subject of much careful examination and interpretation since the Covenant was drafted.¹ Early in 1921 the Council appointed the International Blockade Committee to report on the application of Article 16. The starting-point of the argument and of the conclusions arrived at by this Committee was as follows :—

" The authors of the Covenant had considered the League of Nations as an organisation embracing all or nearly all States, and capable of prompt action in the event of breach of the Covenant. In the view of the International Blockade Committee, the application of Article 16, even had the League been universal, might have formidable consequences either for the League of Nations in general or for some of its Members. But the aforementioned Committee was of opinion that, as the League of Nations had not yet attained a world-wide or nearly world-wide character, a very rigid application of Article 16 would not

(1) Cf. *Reports and Resolutions on the Subject of Article 16 of the Covenant*, June 13, 1927. League Document, A.14. 1927.V. This volume includes all the principal documents, including, particularly, the Report of the International Blockade Committee, 1921, Report of the Third Committee of the Second Assembly, 1921, Resolutions of the Second Assembly, 1921, Report by M. de Brouckère, 1926, and Report by the Secretary-General, 1927. Cf. also *Memorandum by M. Rutgers, Rapporteur to the Committee on Arbitration and Security, on Articles 10, 11 and 16*. League Document, C.A.S. 10. 1928.

only meet with very great obstacles, but might also place the States Members of the League in very difficult situations. That is why the International Blockade Committee has seen fit to recommend solutions which, in the present stage of the League of Nations, will, so far as possible, make allowance for the facts as they are."¹

The Report of the International Blockade Committee formed the basis of the Report of the Third Committee of the Assembly and of the Resolutions regarding Article 16 adopted by the Second Assembly on October 4, 1921. These Resolutions,² while not legally binding upon Members of the League, constitute an authoritative interpretation of Article 16 and were accepted by the League Council as "rules for guidance which the Assembly recommends, as a provisional measure [until certain proposed amendments³ were ratified] to the Council and to the Members of the League in connection with the application of Article 16."

The decision reached at Geneva in October, 1935, to apply sanctions against Italy put into operation the provisions of Article 16 for the first time in the history of the League. It must be emphasised that Article 16 provides no machinery for the application of the measures it prescribes. The League was therefore faced with the necessity of drawing up its procedure.⁴ In doing so it based its action, with certain modifications, upon the Assembly Resolutions of 1921. In the light of this experience and of the interpretations contained in the 1921 Resolutions the scope of Article 16 may be examined under four heads:—

- (i) Under what conditions should Sanctions apply ?
- (ii) Whose duty is it to decide that the necessity for Sanctions has arisen ?
- (iii) At what moment and by whom should Sanctions be applied ?
- (iv) How should Sanctions be applied ?

(i) *Under what conditions should Sanctions apply?*

While economic measures may be recommended by the Council under Articles 10, 11 para. 1, and 13 para. 4, such recommendations are not binding. But under Article 16, which is the principal sanctions article in the Covenant, States Members are under an obligation to take action in the sense prescribed by the Article as soon as they have satisfied themselves that the *casus foederis* has arisen.

(1) *Report on the Economic Weapon presented by the Third Committee to the Assembly, 1921.* League Document, A.14. 1927. V. p. 31.

(2) For full text see Appendix VIII.

(3) (See footnote (2) on p. 17 below.) Certain of the Resolutions (Nos. 5, 6, 8, 9 and 14) were based on amendments of the existing text simultaneously approved by the Assembly, but these have not yet received sufficient ratifications to enter into force.

(4) For details of the procedure adopted, see Appendix IX.

The specific case for the application of sanctions under Article 16 is laid down as "resort to war"¹ by a State Member of the League "in disregard of its covenants under Article 12, 13 or 15." This means resort to war by a Member of the League:—

(a) Without having submitted a dispute likely to lead to a rupture either to arbitration or to enquiry by the Council. (Article 12, para. 1.)

(b) Without having waited three months after the award of the arbitrators or the report of the Council. (Article 12, para. 1.)

(c) Against a Member of the League which complies with the award by arbitrators. (Article 13, para. 4.)

(d) Against a Member of the League which shall have accepted a report by the Council concurred in by all the Members, or a resolution of the Assembly adopted by a majority under the conditions contemplated by the last paragraph of Article 15.

or resort to war by a State not a Member of the League.

(e) Against a Member of the League, having refused the obligations of League membership for the purposes of the dispute." (Article 17, para. 3.)

The application of economic sanctions is also compulsory in accordance with Article 17, paras. 1 and 3:—

(a) When a State not a Member of the League has resorted to war against a Member of the League, having refused the obligations of League membership for the purposes of the dispute.

By the phrase "shall *ipso facto* be deemed to have committed an act of war against all the other Members of the League," it is understood (Resolution 3) that "the unilateral action of the defaulting State cannot create a state of war," that is to say that Members of the League are not necessarily at war with the covenant-breaking State, but that they are entitled to declare themselves in a state of war with it if they so desire.²

It was, however, considered that in accordance with the spirit of the Covenant the League should attempt, at least at the outset, to avoid war and restore peace by economic pressure. The International Blockade Commission considered that "Article 16 is essentially economic in character and this indicates the sense in which its provisions ought to be interpreted," and the Third Committee felt that Members of the League in applying sanctions might at the outset "restrict themselves to exercising a certain economic pressure, which could, if necessary, be gradually increased and intensified; but they might declare themselves

(1) A special Sub-Committee of the League Council decided in October 1935 that "it is not necessary that war should have been formally declared for Article 16 to be applicable." For a discussion of the difficulties of interpreting what is meant by "resort to war" and aggression see below, pp. 19-20 and 55-57.

(2) That is to say they are free to commit acts of war against it independently of the measures laid down in Article 16. For an examination of the possibility of League blockade in time of peace see *Report of the Secretary-General*. League Document. A.14, 1927, p. 83.

definitely at war only if the defaulting State persisted in its conduct as a covenant-breaking State." In actual practice, however, the application of rigorous economic sanctions might be considered by the covenant-breaking State as an act of war to be met by hostile action.

(ii) *Whose duty is it to decide that the necessity for Sanctions has arisen?*

It has been laid down as a fundamental principle that "it is the duty of each Member of the League to decide for itself whether a breach of the Covenant has been committed"¹ (Resolution 4). This reservation safeguards the sovereign rights of Member States which cannot be overridden by decisions of the Council or Assembly. But, the Resolution continued, "the fulfilment of their duties under Article 16 is required from Members of the League by the express terms of the Covenant, and they cannot neglect them without breach of their Treaty obligations." Every State, therefore, is bound to apply sanctions as soon as it is convinced that resort to war has taken place in disregard of the Covenant.

But while decisions are individual, action in applying sanctions must be collective. Some body must therefore be constituted to organise League action. In the preliminary stage, when verification of the fact of resort to war in disregard of covenants under Article 12, 13 or 15 is required, the Council can perform the necessary function.²

It was, therefore, laid down (Resolution 5) that without necessarily waiting for individual States to reach their own decisions, "all cases of breach of Covenant under Article 16 shall be referred to the Council as a matter of urgency at the request of any Member of the League. Further, if a breach of Covenant be committed, or if there arise a danger of such breach being committed, the Secretary-General shall at once give notice thereof to all Members of the Council. Upon receipt of such a request from a Member of the League or of such notice by the Secretary-General, the Council will meet as soon as possible."

The Council examines the evidence available and discusses whether or not a breach of Covenant has been committed. If the individual opinions of the States Members on the Council taken

(1) i.e., whether resort to war has taken place in any of the conditions specified on p. 13 above.

(2) In the case of the Italo-Abyssinian dispute the Council's function was limited to a verification of the fact of resort to war, and once this was established the co-ordination of action for the application of sanctions was entrusted to a specially constituted body, consisting of all Members of the League who had agreed that the necessity for sanctions had arisen.

by roll-call vote are unanimous that a breach has been committed, such a consensus of opinion would have an important influence upon other Members of the League, though they maintain their right to decide for themselves whether the *casus fœderis* has arisen and, if so, what measures they can and will apply. To enable them to do so, it was suggested that the Minutes of the meeting of the Council at which an opinion is reached that a State has been guilty of a breach of Covenant, should be immediately sent to all Members of the League, accompanied by a statement of reasons and by an invitation to take action accordingly (Resolution 6).

In the case of the Italo-Abyssinian dispute the Council set up a sub-Committee to verify the fact of resort to war. Its report was accepted by the States Members on the Council voting by roll-call and was submitted to the States Members in the Assembly, which had meanwhile been summoned. A roll-call vote was taken, each non-Council State signifying its agreement with the report. By such agreement each State recognized that the *casus fœderis* for the application of the measures prescribed in Article 16 had arisen.

(iii) *At what moment and by whom should these measures be applied?*

Again, a body is required to co-ordinate League action for the application of sanctions. Resolution 7 suggested that this body should be the Council aided by a Technical Committee. But in the case of the Italo-Abyssinian dispute it was decided to constitute a Co-ordinating Committee of all the States Members which had agreed that the case for sanctions had arisen. This Committee in turn set up a sub-Committee to make specific recommendations as to the type of sanctions and their application.

While this procedure ensures co-ordinated action, it does not prevent States from taking preliminary measures which may appear to them advisable. The word "immediately" in the text of Article 16 was taken by the International Blockade Committee to mean "at the earliest possible moment at which unanimous action could be secured."

It is recognized that the burden of applying economic measures should be borne fairly by all States. Members should be treated alike and this principle was laid down (Resolution 9) subject to two reservations :—

"(a) It may be necessary to recommend the execution of special measures by certain States.¹

(1) States whose territory is contiguous with that of the covenant-breaking State, and States required to take special naval, military or air measures.

"(b) If it is thought desirable to postpone, wholly or partially, in the case of certain States,¹ the effective application of the economic sanctions laid down in Article 16, such postponement shall not be permitted except in so far as it is desirable for the success of the common plan of action or to reduce to a minimum the losses and embarrassments which may be entailed in the case of certain Members of the League by the application of Sanctions."²

(iv) *How should Sanctions be Applied?*

It is clearly not possible to decide beforehand, in detail, the various measures to be taken in each case where economic pressure is to be applied, as the circumstances are rarely the same (Resolution 10). Both the Assembly Resolutions and the Reports of the two Committees interpreted the application of sanctions in a gradual sense, that is to say by stages. First, diplomatic relations might be broken off, though it was considered (Resolutions 11 and 12) that diplomatic action in the first place might be limited to the withdrawal of the heads of missions. Consular relations might similarly be maintained until a state of war were declared.

As regards carrying out the severance of all relations and intercourse between the people of the enforcing State and the people of the covenant-breaking State, the word "nationals" used in the Article has been taken in the sense of "residents" (Resolution 13).

"In cases of prolonged application of economic pressure, measures of increasing stringency may be taken" (Resolution 14). In this case the cutting off of food supplies is regarded as an extremely drastic step to be applied only when the other measures available have proved inadequate.

The severance of intercourse must be strictly applied, correspondence and all other methods of communication being subjected to special regulations (Resolution 15), though humanitarian relations may be continued (Resolution 16).

A very difficult problem arises in connection with the attitude of non-Members³ of the League to these measures. An important aspect of their enforcement, especially if the non-Member is a neighbour of the covenant-breaking State, is that some arrangement should be reached to ensure the co-operation of such States with the League, or at least their acquiescence in the measures taken by it (Resolution 17). The attitude of such States will be all the more important if it is found necessary (Resolution 18) to enforce the measures prescribed:—

(1) For the special status of Switzerland see Appendix V.

(2) For the proposed amendment of the Article in this sense, see below p. 17.

(3) For a list of non-Member States see below, p. 53.

(a) by the imposing and maintaining of an effective blockade of the seaboard of the covenant-breaking State, or,

(b) by entrusting to some Member of the League the execution of the blockade operations.

In such case it would rest with the Council to recommend (Article 16, para. 2) what naval forces should be employed and what Members of the League should be called upon to effect the blockade. The International Blockade Committee considered that it might be expedient for a certain number of Members to exercise the belligerents' right of visit and search at sea.¹

By a Resolution adopted on October 14, 1935, the League Sanctions Committee decided that any proposals for action under Article 16 should be based on paragraph 3, whereby :—

The Members of the League agree, further, that they will mutually support one another in the financial and economic measures which are taken under this Article, in order to minimise the loss and inconvenience resulting from the above measures, and that they will mutually support one another in resisting any special measures aimed at one of their number by the covenant-breaking State. . . .

3. QUESTIONS OF INTERPRETATION.

(i) THE ASSEMBLY RESOLUTIONS OF 1921.

These Resolutions were adopted by the Assembly and accepted by the Council as provisional rules to be acted upon until the proposed amendments² of the Covenant were put into force. As sufficient ratifications for the adoption of these amendments have never been received the Resolutions remain rules of guidance only.

(1) It has been argued (see *Secretary-General's Report, 1927, loc. cit.*) that such rights might be exercised by League Members carrying out a blockade even without the declaration of a formal state of war against the Covenant-breaking State.

(2) 1. The substitution for clarity of the words " persons residing in the territory " for the word " nationals " used in para. 1 of Article 16.

2. The insertion of a new second paragraph as follows :

" It is for the Council to give an opinion whether or not a breach of the Covenant has taken place. In deliberations on this question in the Council, the votes of Members of the League alleged to have resorted to war and of Members against whom such action was directed shall not be counted."

3. The insertion of a new third paragraph as follows :

" The Council will notify to all Members of the League the date which it recommends for the application of the economic pressure under this article."

4. The insertion of a new fourth paragraph as follows :

" Nevertheless, the Council may, in the case of particular Members, postpone the coming into force of any of these measures for a specified period where it is satisfied that such a postponement will facilitate the attainment of the object of the measures referred to in the preceding paragraph, or that it is necessary in order to minimise the loss and inconvenience which will be caused to such Members."

In the event of the adoption of these amendments the present second, third and fourth paragraphs would become the fifth, sixth and seventh.

It has sometimes been argued¹ that as some of the Resolutions were based upon proposed amendments of the text of Article 16 which have never come into force, the Resolutions, and in particular Nos. 5, 6, 8, 9 and 14, in so far as they conflict with the existing text, have no force.

But authoritative opinion is against this view to-day. The text of the Article must have an interpretation which permits of its practical application in the actual conditions of international life. On such an interpretation the Article as it stands must be considered as prescribing the maximum of the measures which may be applied against the covenant-breaking State and as allowing milder action as a beginning which may be developed, if need be, into greater severity. It is clear that such action by the Members of the League must be concerted action and that such action must be organised and co-ordinated by the Council or some other specially-constituted body.

The principal result of the interpretation of the Article, in the sense proposed by the 1921 Resolutions, would be to diminish its drastic nature. As M. de Brouckère pointed out in his report to the League in 1928, the strength of the Article as conceived by its original drafters lay in its automatic operation and its deliberately drastic provisions.² He urged that nothing should be done to diminish the effect of the threat to apply the measures in full, recalling that any dispute, which was likely to have dangerous results or repercussions, would in any case come before the League under Articles 10, 11 or 15, and that under Article 11 in particular the Council could examine the circumstances and make recommendations as to "any action that may be deemed wise and effectual to safeguard the peace of nations." This has been interpreted to mean any action short of military measures; it is, therefore, to be presumed that application of any or some of the measures prescribed in Article 16 might be discussed in advance with a view to operation immediately resort to war had taken place.

In accordance with the same view, the proposal to include a provision that the Council should give an opinion, whether or not a breach of the Covenant had taken place, would hold up the operation of Article 16. The discussion as to whether a breach of the Covenant had taken place might be lengthy, as the determination of when "resort to war" had taken place might not be

(1) Cf. *Report by M. de Brouckère, 1926. League Document, A.14. 1927, V. pp. 60-72.*

(2) It is to be presumed that as originally conceived the measures prescribed were to be applied immediately, simultaneously and in full force. This view has since been challenged in favour of application by stages.

easy.¹ In any any case it was pointed out that the Council's only function, according to the existing text of Article 16, was to recommend what armed forces should be contributed by States Members.

The view of those who favoured the amendment was that an opinion by the States Members of the Council as to whether a breach had taken place would facilitate the adoption of the prescribed measures and would make it less easy for States Members, who, according to the existing text, are left to decide the question for themselves, to evade their responsibilities.

(ii) "RESORT TO WAR," "ACTS OF WAR," "STATE OF WAR."

(a) "*Resort to war.*"

As has been stated above, although "resort to war in disregard of its covenants under Article 12, 13 or 15" is a specific criterion for the operation of Article 16, doubts have been raised as to the true interpretation of the phrase "resort to war" in its actual context. Experience has shown that even since the signature of the Briand-Kellogg Pact, States have resorted to military² action without a formal declaration of war. Military movements, originally of limited scope, have rapidly developed into large-scale operations. In the case of the Italo-Abyssinian dispute, however, a Sub-Committee of the Council decided that it was not necessary that war should have been formally declared for Article 16 to become applicable. Attempts which have at various times been made to define aggression are dealt with later in this report³ and the question of resort to armed force as a test of aggression has been discussed in this connection.

(b) "*Acts of war*" and "*State of war.*"

The third of the 1921 Resolutions stated, that "the unilateral action of the defaulting State cannot create a state of war": the phrase in Article 16 "shall *ipso facto* be deemed to have committed an act of war against all the other Members of the League" does not, therefore, involve those Members in war, but merely releases them from their obligations under the Covenant not to go to war, if they desire to do so. It is to be presumed that they are similarly released from their obligations under the Briand-Kellogg Pact, inasmuch as the defaulting State is not entitled to claim the benefits of that Treaty. If, on the other

(1) For the interpretation of this, see below this page, also pp. 13, 55-7.

(2) It has been explained as "police" action.

(3) See below, pp. 55-7.

hand, certain States do not desire or do not consider it necessary to apply military measures, they are not involved in such action automatically by the act of the aggressor. A sense of their obligations under Article 16 or direct action against them by the defaulting State alone can involve them.

An example will make the position clear. If "Whiteland" (a Great Power and a naval Power) resorts to war, in disregard of its covenants, against "Blackland," the position becomes reciprocal, and "Blackland" is entitled to commit acts of war against "Whiteland," "Northland," "Westland," "Eastland," and "Blackland's" other fellow Members of the League also automatically acquire the right to commit acts of war against "Whiteland," if necessary. At the outset they may agree to prevent "Whiteland's" aggression by bringing economic pressure to bear against it through the League. Should all the Members of the League not participate in this or should non-Members continue to trade with "Whiteland," then "Northland," "Westland," "Eastland" and the other participating Members of the League may have to resort to blockade measures. In this case the League Council may recommend that this task be entrusted to "Northland," a major naval Power, with the help of "Westland," also a naval Power. If "Whiteland" now resists the blockade operations of "Northland" by armed force, the state of war made possible by the original act of "Whiteland" against "Blackland" becomes actual as far as "Northland" is concerned. If in actual practice such a situation were to arise, "Northland" would find itself involved in war with "Whiteland," with the necessity of employing all its resources, and not merely the limited contribution to the League's forces foreseen in the second paragraph of Article 16. In such a case the League Council would presumably recommend that "Westland," "Eastland" and other States Members should contribute contingents to co-operate with "Northland" in carrying out the League's measures. As these States take an active part in the dispute, so the potential state of war against "Whiteland" becomes actual in regard to them.

In actual practice, it may be noted, it is unlikely that "Northland" would agree to bear the brunt of enforcing the blockade measures unless it were assured of the support of other naval Powers in the League.

(iii) THE QUESTION OF UNANIMITY.

As has already been stated, Article 5 of the Covenant lays down that the decisions of the League Council or the Assembly must

receive the unanimous assent of all Members present at the meeting.¹

Questions of procedure, on the other hand, may be decided by a simple majority, and it has become the accepted practice of the League that recommendations merely require a majority.

Procedure under Article 16 as it stands requires no decisions by the Council, only certain recommendations. Resort to war in disregard of covenants under Article 12, 13 or 15 automatically brings Article 16 into operation, the decision as to whether this specific condition has been fulfilled resting with each individual State Member of the League. Under other Articles of the Covenant with which this report is concerned, *i.e.*, Articles 10 and 11, the text prescribes advice or implies only recommendations by the Council. Such advice or recommendations, while not binding, do not, on the other hand, require unanimity for their adoption. The opposition of the recalcitrant State cannot prevent their adoption though they are not binding either on it or any other Member which may dissent. Nevertheless external aggression constitutes (Article 10) a breach of treaty obligations.

(iv) CAPACITY TO EXECUTE SANCTIONS.

While every State has the right to decide for itself that the *casus foederis* for the operation of Article 16 has arisen, all Members of the League are pledged by their signature of the Covenant to apply sanctions as soon as they have satisfied themselves that the specific case has occurred. The Covenant, however, cannot compel States Members to carry out the impossible, though they are bound to do what is reasonably possible according to a just and honest interpretation of the relevant provisions.

With the present membership of the League, lacking as it does three out of the seven Great Powers, the application against a covenant-breaking State of that overwhelming concentration of force necessary to enforce submission may not always be possible. If the successful execution of certain measures in such circumstances and in certain cases should appear, on a reasonable view, to be impossible, such measures could not be considered to be obligatory. As Sir Samuel Hoare pointed out at Geneva on September 11, the burden of those States which have remained in the League has been increased manifold. "If the burden is to be borne, it must be borne collectively. If risks for peace are to be run, they must be run by all. The security of the many cannot be ensured solely by the efforts of the few, however powerful they may be."

(1) See above, p. 7. Exceptions in Article 15, paras. 6, 7 and 10.

(v) SANCTIONS ESSENTIALLY PREVENTIVE AND NOT PUNITIVE.

Sanctions being measures to compel the observance of law best accomplish the desired object when they prevent the violation of law on all particular occasions. It is only when the law has been violated in spite of the existence or threat of sanctions that the question of applying punitive sanctions arises, and in any event, the object of the punitive sanction is preventive, that is, to prevent the unlawful enjoyment by the transgressor of the fruits of his law-breaking. The example thus made should have the effect of preventing others in the future from violating the law.

In the international sphere sanctions are not as easily applied against a wrong-doing State as within a State against an individual criminal. States are more powerful in relation to international law than individuals in relation to domestic law. Internationally, the "over-mighty subject" is very far from being obsolete. Thus in the international sphere it is of the first importance to concentrate on the preventive rather than on the punitive aspect of sanctions.

Such concentration is rendered more practicable by the fact that in international relations aggression rarely takes place without warning. Any situation which is serious, and all situations which are dangerous, will almost certainly be referred to the League and have official cognizance taken of them. In these circumstances it is obviously possible for action to be taken at the earliest possible moment with a view to the organisation of preventive sanctions—for example when the League Council is discussing a dangerous situation referred to it under Article 11.

PART II. THE CHARACTER OF SANCTIONS

I. MORAL AND DIPLOMATIC MEASURES.

(a) MORAL MEASURES.

*Public
Opinion*

Public opinion, particularly in democratic countries, is an important sanction against transgression. Ample evidence of this is to be found in the efforts made by all Governments which have been involved in war, particularly since 1914, to convince their own people and the world that their country has been the innocent victim of unjust aggression. Without popular support success in war is impossible.

Foreign public opinion can express its disapproval of a country's policy in various ways, as, for example, the cessation of tourist visits, by a spontaneous movement against the purchase of its goods, through the Press and through the diplomatic channel.

*Effect on
Credit*

All these measures, severally or combined, apart from their direct economic effect, may also have an influence upon confidence, and, by impairing confidence, indirectly upon a country's credit. The probity of a Government may be called in question ; its *bona fides* in regard to its international undertakings may be doubted ; its credit may suffer in consequence. But a country's credit, though damaged by such methods, cannot be entirely destroyed by other than financial default. The immediate result on credit may be only to raise the cost at which loans are placed abroad.

*Government
Propaganda*

The Government concerned possesses, however, a weapon with which it may defeat or at least diminish the effect of the moral measures aimed against it. Governments have means of manipulating opinion at home, or at least of suppressing criticism of their policy or actions. And a government determined on aggression which is secure of support at home, whether from real national conviction or because it feels strong enough to suppress disapproval, is very likely to flout foreign opinion up to the point at which the danger of it developing into active opposition becomes a real one.

The efficacy of moral sanctions is, however, limited, and is likely to remain so until there is some prospect, if not certainty, of their being reinforced by measures having a material effect.

(b) DIPLOMATIC MEASURES.

Dealings between States, short of war, are normally carried

on through the channel of diplomacy. Diplomatic action, may be verbal or written. Such a communication can convey disapproval, a reminder, a warning, or a threat, and so far as these may be effective as sanctions, diplomacy can provide them.

*Diplomatic
protest*

The simplest form of diplomatic sanction is a plain protest by one State against the action of another. The efficacy of such a protest is likely to depend upon the importance of the State issuing it and its influence with that to which it is addressed, upon the degree of confidence subsisting between them, and the extent to which the latter is dependent upon the goodwill of the former. Protests from a Great Power will, therefore, be more effective than those from a small one. Moreover, the effect they produce is likely to be greater if they represent an expression of genuine national feeling, than if they seem to be merely a diplomatic gesture.

The value of such a protest lies not only in bringing to the knowledge of the law-breaker the condemnation evoked abroad by its action, but in the fact that it draws public attention to the act of law-breaking, and to the danger to the general peace which it implies. It mobilises public opinion in the country whose Government issues the protest, and possibly also in other countries. It brings the matter at once into the limelight, and lessens the probability of illegal action going too far to be stopped before opposition can be organised or brought to bear.

The influence of a diplomatic protest is naturally greater if it comes from a number of Powers than from a single Power, however great. When occasion for such action arises, it sometimes takes the form of a joint or simultaneous communication, or of "identic notes"; the method of joint or identic protests inevitably means delay. Drafts and amendments have to be telegraphed back and forth, considered, and further amended before the joint communication is ready to be delivered. The joint protest may be less effective in certain circumstances because it is slower; but it must, for the very reasons which cause the delay, carry more weight than protests from the same governments delivered separately.

*Withdrawal
of Head of
Mission*

Diplomatic procedure has various methods of expressing disapproval besides that of verbal or written protest. One of them is the withdrawal of the head of an embassy or legation, leaving its business to be conducted by a junior functionary as *chargé d'affaires*. As an objection to this it seems that, apart from its value as reinforcing a protest already delivered and ignored, the withdrawal of the head of the diplomatic mission might have obvious disadvantages at a time of difficulty when it is more

than ordinarily important that diplomatic affairs should be in experienced hands.

*Rupture of
Diplomatic
Relations*

The same criticism applies to the further step of breaking off formal diplomatic intercourse altogether, by withdrawing embassy and staff, and refusing to receive an embassy from the offender. It does indeed put the offending government to some measure of inconvenience, since ordinary business between the States concerned (which does not come to an end by mere diplomatic *fiat*) has then to be carried on circuitously, either through a third Power, or through consuls. But the inconvenience is mutual, and may indeed be greater to the country which breaks off relations than to the other. To withdraw the ambassador is to deprive foreigners resident in the offending State of a large measure of necessary protection. The method, however, constitutes an emphatic gesture, as a warning that effective ostracism may follow.

*Non-
recognition
of fait
accompli*

Disapproval may also be expressed by the method of "non-recognition." Refusal to recognise a new State, or a Government set up as the result of a revolution, is well established in diplomatic procedure. This method has recently been extended in scope by what is known as the "Stimson doctrine," embodied in the American note to Japan of January 7, 1932.¹ In this it is laid down that no changes in international status brought about by means contravening the Briand-Kellogg Pact ought to be recognised by the signatories to that Pact, and that they should be regarded as juridically null and void. The Assembly of the League of Nations, in a resolution passed on March 11, 1932,² adopted the doctrine, with the addition of the Covenant of the League as an instrument, the contravention of which causes non-recognition.

*Diplomatic
warning*

All the above forms of diplomatic action amount to no more, essentially, than methods of giving expression to moral disapproval or of conveying reminders of international obligation. The

(1) ". . . it cannot admit the legality of any situation *de facto* nor does it intend to recognize any treaty or agreement entered into between those Governments, or agents thereof, which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, the independence, or the territorial and administrative integrity of the Republic of China, or to the international policy relative to China, commonly known as the open-door policy; and that it does not intend to recognize any situation, treaty, or agreement which may be brought about by means contrary to the covenants and obligations of the Pact of Paris of August 27, 1928, to which treaty both China and Japan, as well as the United States, are parties."

(2) ". . . it is incumbent upon the Members of the League of Nations not to recognize any situation, treaty or agreement, which may be brought about by means contrary to the Covenant of the League of Nations or to the Pact of Paris."

further method open to diplomacy is the conveyance of warnings or threats of definite action that will follow if the offending State does not desist from law-breaking, or make amends for damage already done. The efficacy of such warnings depends upon one thing alone: the probability of their being implemented. The warning, moreover, does not stand by itself as a sanction. It is a part only of the more concrete measures to be dealt with in later chapters, and need not be considered further apart from them.

Diplomatic sanctions, it will be seen, are not efficacious in themselves. So far as the moral sanction is effective, diplomacy plays its part in mobilising it, expressing it, and in bringing it into action. So far as more concrete measures are possible and effective as sanctions, diplomacy may render their actual enforcement unnecessary by conveying a warning of their imminent use. But if the moral sanction is ineffective, diplomacy cannot reinforce it; and unless concrete sanctions really are imminent, the warnings of diplomacy may well be useless.

2. FINANCIAL MEASURES.

The distinction between financial and economic measures, designed to put pressure upon an offending government, is a fine one, although the two are mentioned separately in Article 16 of the League Covenant.

Governments require foreign exchange or financial credits granted abroad for the purchase of supplies which they require from outside sources. Therefore these sanctions can only be efficacious by themselves if the aggressor country is very largely dependent—especially for munitions or implements of war, or for the raw materials essential for their manufacture—on imported supplies. Examples of such dependence are Great Britain's deficiency in food supplies, and that of Italy in metals and fuel.

*Nature of
financial
sanctions*

Financial sanctions, though their efficacy is limited, have the advantage that they can be applied easily, speedily, and with the minimum repercussion in the country applying them.

The problem of imposing financial sanctions is to render null and void the aggressor's efforts to command foreign purchasing power for the supplies he requires.¹

(1) In *The Political Economy of War* (p. 183), published in 1921, Professor Pigou remarks that "the means available for obtaining command over foreign purchasing power are (1) the export of goods and services; (2) the sale of securities, gold, or other marketable property abroad; (3) borrowing abroad through ordinary loans; and (4) the sale abroad, presumably to foreign speculators, of national paper money."

*Mobilisation
of foreign
securities*

One of the methods by which a belligerent may secure purchasing power for supplies in a foreign country is the mobilisation of holdings of securities by its nationals in that country. The British Government during the World War requested British holders of securities in the United States to place their holdings at the disposal of the British Government, who were thus able to secure, without transfer operations, the means of payment for a substantial amount of supplies purchased in the United States. The process of realisation, or the transfer of the sums thus realised abroad, require the co-operation of the country's financial authorities. Financial sanctions would presumably prevent arrangements of this kind.

Open borrowing for the purpose by banker's loan or a public issue can be easily prevented in the country imposing sanctions.

*Secret
borrowing*

The prevention of secret borrowing—which by means of intermediaries may be made to appear to derive from a third source in a country not co-operating in sanctions—is almost impossible. Finance, like all international commercial operations, has many ramifications, and a credit obtained by one individual may really be for the benefit of quite a different person, corporation, or even Government, through one, two, or even many intermediaries. The connection may be very difficult to trace, as is the real destination of goods exported from one country to another, and in ordinary circumstances the financier who grants the credit does not think of tracing its ultimate destination. If economic sanctions were not simultaneously imposed it would be practically impossible to prevent the acquisition of credit through trade operations or the transfer of property.

*Possibilities
of
repudiation
by the State
on which
sanctions
are imposed*

Financial sanctions may be weakened by the effects of retaliation by the State on which they are imposed. The States upon which the denial of foreign financial facilities is likely to inflict inconvenience or difficulty are those who are nearing the end of their own resources. If so, they have probably already raised loans abroad, and are indebted to foreign creditors. They thus have at hand the financial weapon of repudiation, wherewith to retaliate against any financial sanctions imposed upon them. It might even be that the immediate saving to their finances arising from repudiation of foreign liabilities accruing at the moment or in the immediate future, would compensate them for a time, but hardly for long, for the loss of further financial facilities abroad. The State on which it is proposed to impose sanctions may be either a debtor on total international account or a creditor. If it is a creditor, the "ring" of sanctions-imposing States can withhold for the time being the transfer of interest

and dividends from their respective countries to the aggressor State. But if, as is much more likely (for they are much more numerous in the world), the aggressor belongs to the group of debtors on international account, the severance of financial relations has its advantages to him. He can refuse to pay interest and dividends to the credit of countries of the "ring," and can use that part of the proceeds of home production which would have been made over to the foreigner, for his own belligerent purposes. But, since foreign credits are mainly concerned with the international exchange of goods and services, it is difficult to see how financial sanctions can, in fact, be imposed without interference with such movement, *i.e.*, by an embargo on trade.

Financial assistance to victims of aggression

The converse of imposing financial sanctions against a law-breaking State is the granting of financial assistance to the States which may be sufferers by the act. The preliminary discussion and organisation of this process are easier and less embarrassing than the other.

In May, 1926, the Government of Finland drew attention at Geneva to the consequences for small States which had disarmed and which by reason of aggression might be forced at the last moment to obtain materials for war. The project of ensuring financial assistance to States victims of aggression was examined by various League Committees and was finally drafted in the form of a Convention which was opened for signature in October, 1930.

Convention on Financial Assistance

The Convention on Financial Assistance¹ recognised that a State attacked, or threatened with attack, would have immediate need of funds. It provided, therefore, for financial assistance to be given, not in the form of loans by other Governments, but in the form of guarantees by other Governments, for the service (interest and redemption) of loans raised by the State concerned in the world's financial markets. Each signatory State would deposit with the League on conclusion of the Convention "General Guarantee Bonds" which would be dormant until occasion arose to utilise them, and would be changed into "Specific Guarantee Bonds," when, with the consent of the Council, a definite loan was to be raised. These bonds, whether general or specific, would be an undertaking to guarantee a share, not of the principal of the loan, but only of its annual service. Such shares would be in proportion to the contributions of the various States to the general expenses of the League. The maximum annual service of the loan can inferentially be fixed by the Council, and

(1) League Document, C.611, M.237, 1930, ix.

hence the total of the guarantee. In practice the loan authorised might be less than the maximum, in which case all specific guarantees would be proportionately reduced. The guarantee would only be called if, and in so far as, the borrowing State failed to meet the service of the loan. In addition to the ordinary guarantees certain major Powers would stand as special guarantors in the event of a failure by the borrowing Government to meet its liabilities.

*Arguments
for and
against
financial
assistance*

It was claimed for this scheme that it embodied the principle of collective security in the financial sphere, and for that reason would lessen the probability of acts of aggression. Its adoption would require legislation in each participating State, but—it was claimed by the Financial Committee—"would be consistent with the general principles of the League."

While perhaps more efficacy has been claimed for this proposal than will be generally conceded, there is no doubt that, even for a Great Power contemplating an act of aggression, the deterrent effect of the prospect of having the financial backing of the world against it in case of war would be by no means negligible.

The Convention, however, though it received the signatures of some thirty States, has remained a dead letter, as its operation was made dependent upon the entry into line of a general Disarmament Convention.

3. ECONOMIC MEASURES.

Embargoes

Economic sanctions consist of measures imposed in restraint of trade with a wrongdoer. These measures would take the form of embargoes, limited or complete, upon :

- (a) All imports,
- (b) Exports of War Material (Arms, munitions and implements of war),
- (c) Exports of Raw Materials essential for war or industrial purposes,
- (d) All other exports,
- (e) All imports and exports.¹

The efficacy of these various embargoes with the exception of the first, depends upon the manner of their application and enforcement. An embargo may be (i) passive, or, (ii) active ; that is to say :

*Economic
Boycott*

(i) It may be applied by each State upon its own territory, merely by abstaining from export. Such a passive embargo

(1) The imposition of a complete international boycott by the application of all the measures prescribed in Article 16 of the League Covenant is discussed below, see p. 40.

will be completely successful only if all producing and exporting States in the world participate in it and if the country against which it is applied is not entirely self-sufficient. The degree of its success, therefore, depends upon the number of States applying it and the extent to which the recalcitrant State is dependent upon them and upon other foreign sources of supply.

*Economic
Blockade*

(ii) It may be enforced actively by blockading the shores and land frontiers of the recalcitrant State and preventing goods and supplies from passing in over them. The success of such an active embargo will depend upon the participation or acquiescence of all major exporting States and its enforcement by the concentration of overwhelming naval and military forces.

The essential difference—and it is an important one—between the economic boycott (passive embargo) and the economic blockade (active embargo) is that while the first can be imposed easily by each State with the risk only of retaliation in kind, the second can be enforced only by naval and military action. Resistance to this by the State against which it is applied may mean hostilities. Objection on the ground of interference with their trade, by other States, especially non-Members of the League, which are not participating or have not acquiesced in the blockade, may lead to serious embarrassments. These are considerations to be borne in mind in the following examination of the character of economic sanctions.

(a) EMBARGO ON IMPORTS.

As a preliminary sanction the exclusion of imports has much to recommend it. In the first place its imposition should cause no great administrative difficulties. It is simple to apply, the necessary machinery being already in existence in the Customs organization. It has an advantage over any embargo on exports in that it is easier to determine origin than destination. Further it requires no special action such as blockade measures. Generally speaking it involves less serious repercussions in the country which is applying it than an embargo on exports, in that there will probably be alternative sources of supply and, in any case, it is always easier to prohibit people from buying than from selling. Finally it means that the aggressor will lose valuable foreign exchange and in this way the ability to make alternative purchases in another country. Should foreign credits already have been refused to him, as would be highly probable, this deprivation of foreign exchange would constitute a serious loss. Short of actual blockade, therefore, the exclusion of a country's imports may be an effective way of limiting a country's ability to obtain foreign supplies. The success of such a measure would

clearly be in proportion to the number of States which applied it and the percentage their imports represented of the export trade of the country against which it was applied.

(b) EMBARGO ON WAR MATERIAL.

An appropriate sanction against a State which is waging or preparing war in disregard of the League Covenant and the Briand-Kellogg Pact is to deprive it of the means of making war, *i.e.* of arms, munitions and other war implements and material.

The efficacy of such an embargo depends on the answers to a number of questions: How far is the aggressor an industrialized and arms-producing State? How far does he possess within his own territory or control the materials for their manufacture? To what extent has he accumulated stocks of material or finished products? How many of the other arms-producing States have agreed to participate in the embargo?

*Armaments-
producing
States*

The large-scale manufacture for export of munitions of war is confined to twelve industrial countries. These countries supplied 98 per cent. of the total exports of arms and ammunition recorded in 1932. The distribution of world trade in arms among these countries is given in the following table.¹

EXPORTS OF ARMS AND AMMUNITION.

Country.	Per cent. of total exports from all countries.	
	1930	1932
Great Britain	30·8	30·1
France	12·9	27·9
U.S.A.	11·7	8·7
Czechoslovakia	9·6	4·2
Sweden	7·8	11·0
Italy	6·8	1·7
The Netherlands	5·4	6·2
Belgium	4·4	4·4
Denmark	1·9	0·6
Japan	1·9	0·1
Spain	2·9	1·1
Switzerland	1·8	1·9
	97·9	97·9

(1) *League of Nations Statistical Year Book of the Trade in Arms and Ammunition, 1934.* In 1935, Germany again became an exporting State.

It will be seen that 69 per cent. of the total world exports in 1932 came from three countries—Great Britain, France and Sweden.

Only the larger States can supply all their internal armament needs¹ even in time of peace, and most of the smaller countries of Europe, nearly all of South America, Africa, and the greater part of Asia are, in consequence, dependent upon foreign sources of supply.

*Embargo on
supplies to
arms-
producing
States*

States thus fall obviously into two categories in the matter of armament supply—the few which possess full resources, and the large majority which possess little or none. Against the latter, an embargo on the supply of war material would make it impossible for them to carry on a war for more than a limited period. The stocks of munitions and armaments normally carried by nations in time of peace are only a fraction of their requirements once they are engaged in hostilities. Ammunition is fired away at a rapid rate; guns wear out and must be replaced or relined; the wastage of aeroplanes has been estimated in war at 100 per cent. per month; casualties and losses of material must be replaced; and reserves of men must be armed and equipped as they become available. War to-day is so prodigal in such expenditure of material that, if the whole of what is required in anything beyond a very short campaign is to be provided beforehand, the peace-time stocks must be enormous.

The staffs of fighting services do not normally attempt to make full provision beforehand for prolonged campaigns, at least until war appears imminent. The stock they aim at is that which will carry them on until such time as replacements are estimated to become available. No doubt in non-producing countries, those stocks are larger proportionately than in those countries which are capable of manufacturing their own further supplies, but even so, they cannot last for very long once war has started.

A case in point is the recent war between Bolivia and Paraguay in the Gran Chaco region. This conflict continued from June, 1932 to June, 1935, and the report of the Commission of the League of Nations which endeavoured unsuccessfully in 1933-34 to bring it to an end made it clear that, but for the supplies of war material to both combatants from abroad, it must have come to an end long before through exhaustion. There can be little doubt that, had machinery for the immediate imposition of an embargo on foreign supplies been in existence, and had it been

(1) Only Great Britain, the United States, France, Germany and perhaps Soviet Russia possess factories capable of large-scale production of all kinds of heavy guns, ships-of-war and artillery ammunition.

used on the outbreak of war, hostilities could hardly have lasted out the year, even if the embargo had been enforced against both antagonists impartially, as was the embargo eventually organised by the League of Nations in 1934. It might have come to an end all the sooner had it been possible to determine which of the two antagonists was the aggressor,¹ and to apply the embargo to him only, leaving the innocent party free to purchase war materials abroad.² Such a measure would discourage the aggressor from its inception, whereas the effect of exhaustion is only felt later. The certain prospect of it, too, might have made both parties so careful not to commit aggression in the first instance that the war might never have started. On the other hand, the imposition of a one-sided embargo, while the question of aggression is legally undecided, is impossible without prejudicing the issue.

*Embargo
against
producing
States*

As against a fully industrialised State an embargo on the supply of war material from abroad would be little more than an inconvenience. Its effect would not, however, be negligible. In the late war even Great Britain and France, two of the countries possessing the largest capacity in the world for the production of war material, found it necessary to supplement their own supplies by purchases from the United States very shortly after the outbreak of war. The most, however, that can be concluded is that in war no Power is completely indifferent to foreign supplies of war material, but that the effect of an embargo varies enormously according to the industrial capacity of the Power against which it is imposed.

*Embargoes
must be
complete*

The imposition of an effective embargo on the supply of war materials from abroad implies the existence of a very complete international organisation for the purpose. To be effective at all, it must be world-wide, and watertight. Leakage will destroy its efficacy. It must be enforced by all States, not alone by those by whom war materials are manufactured; for unless it is, there is no guarantee that munitions will not reach the State from which it is desired to exclude them, by a circuitous route.

To fulfil this condition of completeness it is necessary that the Governments of the arms-exporting countries and the international authority organising the general embargo should have

(1) For the difficulties of this, see below, pp. 55-7.

(2) The raising in favour of Bolivia, in December, 1934, of the impartial embargo was not considered fair by many States which had agreed to impose it on both disputants in the previous September. Paraguay had put herself in the wrong by the rejection of the League's recommendations for the settlement of the dispute. Many States felt that while technically wrong she was not actually the aggressor.

means of ensuring the strict execution of the embargo. If it were found that there was leakage to the offending State from any other, the embargo would have to be extended also to the latter. Leakage might occur with the connivance of the Government of the latter State, or through its inability to control smugglers using its territory or shipping. In either case, means of detecting leakage would be needed.

*Effect of
embargoes
& imposing
rates*

The effect of an embargo on the export of war material in the country imposing it is not in itself widespread. It is confined to loss of employment and of the prospective profits of the firms which, but for it, would have supplied the material. The question of compensation might arise in this connection.¹

The imposition of an embargo may have indirectly an adverse repercussion in the country imposing it, if the country against which it is directed retaliates. For instance, the Government of Bolivia made the claim in 1934 that the British embargo contravened the Anglo-Bolivian Agreement of 1911; and threatened that, if it were imposed, extra war taxation would be imposed on British companies in Bolivia, from which they had been hitherto exempt under that Agreement.² This particular claim was contested by the British Government, but it is illustrative of the powers of retaliation possessed by States against whom an embargo may be directed.

From the above examination certain points clearly emerge. The imposition of an embargo on the supply of war material from abroad presents no special difficulties of organisation, and need have no great repercussion in the countries imposing it. To be effective at all against the continuance of law-breaking in the form of resort to war or breach of a convention for the limitation of armaments, it must be universal, and steps must be taken to ensure that any leakage is promptly detected and stopped. Even if those conditions are fulfilled, it is only efficacious when directed against the less highly industrialised States; it is ineffective against those which themselves possess appreciable resources for the production of war material. The effect of the

(1) Such difficulties would be obviated if the system of export licences in force in the United Kingdom (under the British Arms Export Prohibition Order of 1931) were universal in all States. One of the difficulties encountered in organising, in 1934, the world-wide embargo on the supply of war material to Bolivia and Paraguay, was that of current or recurrent contracts. It is, for instance, possible to draw a contract so that it is in effect perpetual. But if no export of arms could be made without an individual licence for each consignment, to be granted only within a reasonable period preceding its despatch, any firm or person who concluded a recurrent contract without a saving clause regarding the necessity for licences, would do so at his own risk. The Government could refuse licences at any time without creating a liability to compensation.

(2) Lord Stanhope in the House of Lords, July 12, 1934.

embargo will be more rapid, if it is possible to determine which of the antagonists is the aggressor, and to apply the embargo to him alone, leaving the innocent party free to obtain supplies where he will.

The arms embargo, however, will not suffice against deliberate law-breaking, for which ample preparation has been made.

(c) EMBARGOES ON RAW MATERIALS ESSENTIAL FOR WAR PURPOSES.

The embargo on the foreign supply of war material would be ineffective as a sanction against fully-industrialised States which are self-sufficient in the production of war material. But while self-sufficiency is dependent upon industrialisation, it depends also upon the supply of the raw materials from which arms, munitions and implements of war are manufactured. Raw materials are by no means evenly distributed throughout all parts of the world.¹ It is, therefore, worth examining whether an extension of the embargo from materials of war themselves to the raw materials out of which they are manufactured, would not bring even the industrialised countries within its controlling influence.²

*What Raw
Materials
are
essential ?*

In examining this question it is essential to know what raw materials are used in war, what are the probable requirements of a belligerent, and what is the actual distribution of the available supplies. Of the first, the list is extensive. Fighting forces of to-day think and act in terms of "mechanisation" and of rapid movement. Navies and air forces are completely dependent upon machines and their products, and the same is now becoming increasingly true of modern armies. There is hardly a highly-developed industry in the world to-day which has not been pressed into the service of war, and upon which fighting forces have not become dependent in some measure.

The four chief industries, upon which the preparation for war and its conduct depend, are the metallurgical, the chemical, the electrical and the oil industries. The following list shows the more important of their raw materials, and some of the chief specific uses of each :—

Coal and Coke.—For the production of steel and power and for transport ; and, derivatively, for fuel oil, and, as toluene, phenol, and cresol, for explosives and chemicals.

(1) The main sources of supply of raw materials essential for war purposes are shown in Appendix VII.

(2) See *The Mineral Sanction as an Aid to International Security*, by Sir Thomas H. Holland. Oliver & Boyd, 1935. 2s.

- Petroleum*.—The fuel in one form or another of transport by land, sea and air ; lubricants, essential to every form of engine.
- Cotton*.—For the manufacture of explosives.
- Wool*.—An indispensable material for numerous purposes.
- Rubber*.—For a variety of purposes, chiefly in connection with electrical machinery and transport.¹
- Glycerine*.—For the production of dynamite.
- Cellulose*.—For the production of smokeless powders.
- Iron Ore and Pig Iron*.—For the manufacture of armaments, ammunition, railways, machinery, tools, and for many kinds of constructional work.
- Lead*.—For ammunition and, on a large scale, for the manufacture of acids for explosives.
- Copper, Zinc, Tin, Cadmium*.—Used, partly in the form of brass, in small arms, field guns, ammunition, machinery and electrical equipment.
- Nickel*.—Essential for high-tensile steels and for certain sorts of ammunition.
- Bauxite (the ore of Aluminium)*.—Essential for aeroplanes and whenever it is desired to save weight.
- Mercury*.—Widely used in detonators for explosives.
- Platinum*.—Necessary for chemical manufacture.
- Manganese*.—Essential for the manufacture of ordinary steel.
- Antimony, Fluorspar, Magnesite, Manganese, Molybdenite, Tungsten, Chromium*.—For steel-making and metallurgy generally.
- Asbestos*.—Lagging for machinery. Obturators for guns.
- Graphite*.—Mainly for the manufacture of crucibles.
- Mica*.—Has unique qualities of flexibility and electrical insulation.
- Nitric Acid*.—An essential element of many explosives.
- Sulphur*.—Used in the making of sulphuric acid, which itself is used in the making of nitric acid and explosives.
- Arsenic, Bromine, Chlorine, Phosphorus*.—For chemical industries, and for poison gases.

Approximate
requirements

The requirements of these raw materials by a belligerent are by no means easy to estimate. The question of expenditure of raw materials per head was analysed for the Great War by the American Committee on Economic Sanctions as follows :—

“ Going over the various supplies needed for actual front-line operations, we find that only a few of them need to be expressed in large units, per man per year. Steel for arms, ammunition, light railways, and trench shelters may total three tons per capita ; that amount would have involved the previous production of some six tons of coal and of six to eight tons of iron ore. In the next line comes petroleum, which in various front-line and transport uses may attain a military consump-

(1) When the German army ran short of rubber it was forced to reconstruct many of its transport vehicles to run on iron tyres. This meant enormously greater wear and tear on the roads, and the allocation of many men to repair work.

tion of one ton per capita or more ; this rate was closely approached in late 1918 and would have been reached in 1919 had Allied plans held. All other supplies fall far below these rates ; from 100 to 200 pounds each of nitrates, sulphur or pyrite, cement, manganese, copper and lead ; down to from five to twenty pounds each of such things as cotton, wool, rubber and the minor munition metals (tin, nickel, antimony, aluminium, zinc, and quicksilver)."¹

If the forecasts of experts² may be accepted, the requirements per head of petroleum, or liquid fuel of other sorts, would be greater in the future than in the past, as would be those of steel. As regards other essential raw materials, it is more difficult to estimate, but it seems probable that consumption would not exceed that of the Great War. But even so, the actual wastage of iron and steel products used in war is less than that of those materials—such as the constituents of explosives and gases—which are entirely dissipated in their employment ; and worn-out ferrous materials are largely recoverable for further use as raw material. Thus the weak point in protracted war-like operations would be the supply of petroleum, of chemicals, of non-ferrous metals, and of such materials as rubber and cellulose.

*War
demands
and peace
supplies*

Besides estimating the total amounts needed in war, it is necessary to examine the extent to which war-time needs exceed or fall short of the ordinary peace-time stocks. This aspect of the problem is of importance, since any country which is normally dependent upon imported materials can be expected to carry in reserve several months' supply of those materials, the quantity depending upon season, prices, trade relations and the nature of the commodity. Some States possess an active war industry, consisting of naval dockyards, building yards, aircraft establishments, powder mills, arsenals, and cartridge factories. In these the State manufactures its own war material, land and sea armaments, munitions, aeroplanes, vehicles and equipment. Such organisations amass stocks and reserves in time of peace in order to be prepared for possible conflict. There are also private firms which in time of peace divide their productive activities between civilian and military requirements, and which on the outbreak of war can devote themselves entirely to the provision of war supplies. Such firms also possess stocks of raw materials in reserve, or have access to those of other firms normally producing non-military commodities. Again, all civil iron and steel works, shipyards, motor factories, machine workshops and railway factories normally carry for peace-time purposes stocks of material which can be used in time of war.

(1) "*Boycotts and Peace.*" A Report by the Twentieth Century Fund Committee on Economic Sanctions. New York. 1932, p. 174.

(2) "*What would be the Character of a New War?*" *passim*. Enquiry organised by the Inter-Parliamentary Union, Geneva. Gollancz. 1934.

The same applies to munitions. The chemical industry uses coal-tar for the production of phenol, cresol and toluene—commodities which are employed both in pharmacy and in the manufacture of explosives. Benzine gives colours for dyeing and painting; but it is also the basis of tear gas and mustard gas. Cellulose is a base of both artificial silk and smokeless powders. Glycerine enters into the manufacture of soap and dynamite. Chlorine is used in bleaching and in the manufacture of phosgene and vomiting gas.

A large number of products thus serve the needs both of civil commerce and of war. Most of these products are made in peace-time in large quantities so that a nation possessing powerful metallurgical, chemical, and electrical industries, would be able to call up a great deal of material with which to supply its forces.

If, therefore, the needs of war did not increase requirements per head very greatly, military requirements could be met for a considerable period by drawing upon supplies from normal commercial reserves. On the other hand, if the military needs called for quite abnormal supplies, the existing stocks would not serve the army for long without the most severe rationing for civilian uses.

In this connection, it may be noted that during the Great War, many of the belligerents used less coal, iron, lead and zinc than before. This may seem paradoxical; but it should be remembered, that the mobilisation of labour which formerly produced raw materials had the effect of lowering production; that shipping and transport services were limited; and that restrictions were placed on civilian consumption. Moreover, the diversion of labour and equipment to military uses and to the manufacture of war goods greatly reduced the scale of production of many peace-time commodities. On the other hand, though the war-time rate of consumption of steel, lead and sulphur is lower than the peace-time rate, the reverse is true of copper, rubber and nickel.

*The
distribution
of supplies*

The following list shows the main deficiencies of the Powers in home supplies of raw materials. The more important sources of these materials are shown in an Appendix.¹

United Kingdom.—For antimony, asbestos, bauxite, chrome-ore, copper, cotton, magnesite, manganese, mercury, mica, molybdenum, nickel, platinum, rubber, complete dependence on foreign supplies.

For graphite, lead, petroleum, tin, tungsten, wool, zinc, virtually complete dependence.

(1) See Appendix VII, pp. 66-7 below. Nitrates have been omitted from this list and from the Appendix, since in an industrialised country they can, if necessary, be obtained from the air.

- British Empire*.—For antimony, virtually complete dependence.
For mercury and petroleum,¹ considerable dependence.
- France*.—For chrome-ore, cotton, magnesite, mica, nickel, mercury, platinum, rubber, tin, tungsten, complete dependence.
For copper, graphite, lead, manganese, petroleum, sulphur, wool, zinc, virtually complete dependence.
For antimony and coal, considerable dependence.
- French Empire*.—For antimony, coal, cotton, copper, lead, magnesite, manganese, mercury, mica, nickel, petroleum, platinum, rubber, sulphur, tin, tungsten, wool, considerable dependence.
- Germany*.—For bauxite, chrome-ore, cotton, mercury, mica, platinum, rubber, tin, complete dependence.
For antimony, copper, iron ore, magnesite, manganese, nickel, petroleum, sulphur, tungsten, wool, considerable dependence.
- Italy*.—For chrome-ore, mica, nickel, platinum, rubber, tin, and tungsten, complete dependence.
For coal, copper, cotton, iron, lead, manganese, petroleum, wool, zinc, virtually complete dependence.
- Japanese Empire*.—For bauxite, cotton, nickel, rubber, wool, complete dependence.
For antimony, iron, lead, magnesite, manganese, mercury, petroleum, platinum, tin, tungsten, zinc, virtually complete dependence.
- Poland*.—For antimony, bauxite, chrome-ore, copper, cotton, graphite, magnesite, manganese, mercury, nickel, platinum, rubber, tin, tungsten, complete dependence.
For iron and wool, considerable dependence.
- U.S.A.*—For antimony, nickel, rubber, tin, complete dependence.
For chrome-ore and manganese, considerable dependence.
- U.S.S.R.*—For antimony, nickel, rubber, tin and tungsten, complete dependence.
For copper and sulphur, considerable dependence.

Three of the Powers stand out as being self-sufficient in most of their war necessities. These are the United States, the British Empire and the U.S.S.R. Indeed, between them the United States and the British Empire possess two-thirds and control three-quarters of the world's mineral reserves. It seems therefore safe to say that even a fairly complete embargo on raw materials enforced against any one of these Powers would have very little effect in bringing military operations to an end. The remaining Powers are, however, seriously handicapped by deficiencies in a long list of materials.

Two other points of special interest emerge from the above list. The first is that, alone of the Great Powers, the British Empire has resources of tin, nickel and rubber—materials in which the United States would be especially deficient in

(1) Including supplies from Iran and Iraq the British Empire might be considered approximately self-sufficient in an emergency.

wartime. The second point is that the only Powers self-sufficient with regard to petroleum, even in war-time, are the United States and the U.S.S.R.

*Alternative
sources of
supply*

The handicap in war of these deficiencies of normal times may be offset by several circumstances. An aggressor State may obtain supplies of which it is deficient from the territory of which it acquires control by conquest or occupation ; as Germany replenished her failing supplies of petroleum by over-running Rumania, and of iron-ore by occupying Lorraine. Again, sources of supply not sufficiently rich to be economically worked in time of peace may be reopened by a belligerent cut off from foreign supplies. Salvage, too, is an important source of supply which may be tapped under the stress of enforced shortage. Another is the production of artificial substitutes,¹ though this is virtually impossible in the case of minerals. Indeed, even the substitution of one mineral for another generally involves a serious loss of efficiency ; this fact is well illustrated by the difficulties of the British and German steel industries during the War². Lastly, domestic supplies of all kinds may be requisitioned and devoted to the service of armies. These are mitigating factors ; but, except for the first, they can have but a minor influence in any but a short campaign.

Moreover, the fortune of war, or of nature, may work in the opposite direction. The Japanese earthquake of 1923, by destroying stores of petroleum, one of the war materials in which Japan is deficient, seriously crippled her military power until they were replenished. Any Power which depends in war upon supplies accumulated and stored, in previous preparation, in peace-time may be deprived of the means of war-making by such a catastrophe, or by the military action of the enemy State.

No exact estimate of these influences in either direction is possible, but in neither could they have a decisive effect. In any prolonged campaign, however, difficulties must overtake a belligerent in respect of the supply of those materials which war uses in large quantities, and those in which the war-time rate of expenditure is higher than that in peace. In the first class are iron ore, coal, petroleum, sulphur, manganese and lead. In the second, rubber, copper and nickel.

Thus it is clear that the difficulties of practically all aggressor States would be appreciably increased by an effective embargo upon the supply of a few raw materials ; and the very fact that

(1) e.g. successful production of synthetic rubber in U.S.S.R.

(2) See Sir Thomas H. Holland, *op. cit.*, pp. 22-4.

these are few in number means that such a measure could be enforced by the rest of the world with no great interference with its normal trade. An embargo against an aggressor implies free supply to the victim of aggression ; and the increased war-time demands of the latter should make up at least in part for the cessation of supply to the former. Dislocation of business would undoubtedly occur, but not in a prohibitive degree.

4. THE INTERNATIONAL BOYCOTT.

*Scope of
international
boycott*

In the previous sections three types of embargo have been discussed—those on all imports, on exports of war materials, and on exports of essential raw materials. Though some of these measures and others of a non-economic nature previously discussed might, in certain circumstances, prove sufficient to deter an aggressor, none of them are of universal efficacy. To fulfil this condition sanctions of greater power and more general application are required. One such sanction would be the imposition of a complete international boycott against an aggressor by the simultaneous operation of all the measures prescribed in Article 16. It will be remembered that this entails on the part of all States members :—

- “ (i) the severance of all trade and financial relations ;
- (ii) the prohibition of all intercourse between their nationals and the nationals of the covenant-breaking State ; and,
- (iii) the prevention of all financial, commercial or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State, whether a Member of the League or not.”

No more complete or comprehensive sanction could be devised than this, if effectively enforced. As against the less highly developed States its efficacy is obviously sufficient to stop aggression. The combination of measures would also prove largely effective against the highly industrialised States, which might prove impervious to the pressure of less comprehensive embargoes. The effect of a boycott on such States will be in proportion to the degree of their dependence on foreign trade. The following table¹ indicates the relative degree of vulnerability of certain industrialised States :—

(1) *Boycotts and Peace*, ed. Evans Clark. Harper & Bros., New York, 1932, p. 206. This table is based on a calculation of the number of days' wages represented by exports or imports. It can be taken only as a rough indication of dependence on foreign trade.

Country.	Relative importance of Foreign Trade. ¹
U.S.S.R.	Very low
U.S.A.	1·0
Poland	1·1
Japan	1·8
Spain	2·0
Italy	2·4
Germany	2·6
Czechoslovakia	3·5
France	3·7
Sweden	4·7
United Kingdom	5·1
Belgium	9·5

*Food
supplies*

The stoppage of food supplies has always proved an effective sanction, although it is a very drastic measure to be applied only in the last resort. In the matter of self-sufficiency in food supplies the principal States mentioned above fall into three different groups :

- (i) U.S.A., the U.S.S.R. and Poland are so slightly dependent on outside food supplies that a blockade would mean little to them.
- (ii) Japan and France, though partly dependent, could feed themselves for a considerable period. The same is true, though to a lesser degree, of Germany and Italy.
- (iii) The United Kingdom is dependent for more than half of its food supplies. (The British Empire as a unit on the other hand is more than self-supporting.)

*Prevention of
intercourse*

Under the head of the prevention of all intercourse the international boycott requires a comprehensive stoppage involving :

- (a) The complete closing of land frontiers, even to mails, in either direction ;
- (b) The severance of all telegraphic, telephone and radio communication ;
- (c) The exclusion of the aircraft and shipping of the boycotted State from the harbours and airports of all other States ;
- (d) The prohibition and prevention of the shipping of all other States from entering the harbours of the boycotted State ;
- (e) The prevention of all illicit communication, by land, sea and air ;
- (f) The withdrawal of all diplomatic and consular officers on both sides ;
- (g) The internment or repatriation of all nationals of the boycotted State resident in other countries.

The enforcement of each of these measures, which together produce a state barely distinguishable from that of war, is a matter of varying difficulty, but not of impossibility. There is no country invulnerable to the complete boycott. The undeveloped country is impervious to stoppage of food supplies, since it can

(1) Taking U.S.A. = 1·0 as the base index. It has been estimated that foreign trade accounts for less than 10 per cent. of the total trade of U.S.A.

feed itself ; it is injuriously affected by the interruption of its economic life, but not decisively, since it is only in part dependent on it ; but the boycott deprives it of the sinews and engines of war. The highly developed country can supply itself with war materials ; but unless it has made extensive preparation before embarking on war, it will before long be hampered by lack of raw materials ; a great part of the normal life of its population is dependent upon the smooth working of intricate independent organisations for import and export, which will be completely dislocated ; and the majority of such countries are in great part dependent upon a continuous flow of food imported from abroad, which would be abruptly cut off.

*Enforcement
by blockade*

The complete international boycott and all the measures described above may, as has already been explained, be put into force passively or actively. Their passive application would be fully effective if all States in the world agreed to participate ; but as this is rendered unlikely, apart from other reasons, by the existence of certain Powers which are not Members of the League, and may not be prepared to join in the League boycott, it may be necessary to put it into force actively. This involves resort to blockade, which in turn gives rise to two problems : the need of securing the co-operation or acquiescence of non-Members, and the danger of hostilities.

*Dangers of
blockade*

The attitude of non-Member States, especially as they include three Great Powers, provides a problem of some delicacy, which is fundamental to the whole question of sanctions, and is dealt with below.¹ Blind insistence upon a neutral's rights to trade with the enemy may seriously embarrass the League in its efforts to apply and enforce sanctions, even if it does not lead to strained relations or worse. But a more grave risk inherent in the enforcement of blockade is the danger of hostilities resulting from armed opposition by the blockaded State seeking to break the blockade by force. If it adopted such a policy its relations with the blockading State or States would become those of open war.

The possibility of this development must be weighed in advance and the blockade must be put into operation with full knowledge of the liabilities which may be incurred as a result of its enforcement. Unless the danger is faced in advance and the risk accepted, the threat of meeting blockade with hostilities may be successfully employed by the recalcitrant State in an attempt to prevent its application. The will and the power to enforce sanctions by resorting, if necessary, to the *ultima ratio* is a fundamental condition for their success.

(1) See below, p. 53.

5. MILITARY¹ MEASURES.

Economic measures can go no further than the complete international boycott. This is a drastic sanction and may well prove effective. It has, however, been shown that the active enforcement of that measure, or of any embargo, may be rendered necessary and that such enforcement may, in certain conditions, involve the enforcing States in military operations by sea, at least, if not by land. If, therefore, Members of the League decide upon the necessity of enforcement, they must be prepared to accept the risks involved in that decision. On the other hand, the knowledge that the will and the power to carry out the necessary operations are present will, in the majority of cases, constitute a very powerful deterrent upon the actual or potential aggressor.

Law-breaking, however, in the form of "resort to war," is not infrequently the outcome of hot blood or national excitement. Neither an angry man nor an angry nation will listen to argument.

A nation whose passions have been inflamed, whether justly or artificially, may not be deterred from attacking another State with army, navy and air force by the certain prospect of the severest economic measures of which the world disposes. In the long run economic measures might take their effect; but passions which have been worked up to the point of national enthusiasm for war are exacerbated by the very fact of war itself. War is much more difficult to stop than to start, and even if economic sanctions eventually succeeded in stopping it, much damage and suffering may have been sustained by the State which is the victim of aggression.

*Efficacy of
military
sanctions.*

To deal with this contingency, the world has only one resource—to employ overwhelming force to bring to an end the private use of force by an individual State. Some have argued that this measure is the only real sanction for breach of the rule of law, that it is useless to seek for less onerous substitutes, since they are pre-ordained to futility. Whether or not that argument be accepted, it cannot be denied that the effective enforcement of all sanctions must, in the last resort depend on the will and the power to employ military force. Even those most opposed to the use of force in any circumstances may agree that its collective organisation, actual use, or the knowledge that it will be used, when need arises, to suppress its indiscriminate and irresponsible use by individual States, should diminish the frequency with

(1) The word "military" is used to cover all warlike operations by sea, land or air. For the purposes of this section, air action is regarded as ancillary to naval and military action.

which its employment is required, and consequently the damage and suffering that result from it.

The decision to adopt military measures may arise as a result of: (i) the advisability of direct military action against the aggressor's territory or of naval action to isolate its armed forces operating overseas; (ii) armed resistance by the aggressor to the imposition of embargoes or blockade measures, such resistance taking the form of naval action or the occupation of contiguous territories possessing supplies of essential raw materials, etc., or (iii) defence of the original victim of aggression or of any States subsequently attacked by the aggressor.

Organisation

As has already been stated, neither Articles 10 nor 16 of the Covenant contain specific provision for the organisation of military sanctions, it being left to the League Council, in one case, to advise means and, in the other, "to recommend to the several Governments concerned what effective military, naval or air force the Members of the League shall severally contribute to the armed forces to be used to protect the covenants of the League." Such recommendations by the Council are not binding upon the several States (though the consciousness of their obligations under the Covenant may well influence them to acceptance). They are, however, specifically bound "mutually [to] support one another in resisting any special measures¹ aimed at one of their number . . . and . . . to afford passage through their territory to the forces of any of the Members of the League which are co-operating to protect the covenants of the League."

Naval operations

To ensure success it is clear that all armed action should be co-ordinated by the Council. Should it decide upon the necessity of organising a blockade the League Council can turn only to the three naval Powers—the United Kingdom, France and Italy—which alone of the naval Powers are Members of the League. The enforcement of the blockade might be entrusted to one, two or all three of them. Should one of them be the aggressor, the other two would in certain circumstances, and might in others, be able to enforce it. If, on the other hand, the second proved unwilling to participate actively in the enforcement of the blockade, the ability of the third to execute it single-handed would depend upon its identity, its willingness to act single-handed, and the circumstances of the case. The same conditions apply in the case of naval operations to isolate the armed forces of an aggressor operating overseas.

Military action

If the circumstances of the case called for military action in defence of the victim of the aggression or against the territory of

(1) This is interpreted as including military action.

the aggressor, the League Council might recommend the employment of :

(i) A Permanent International Police Force ;

(ii) An International Force consisting of contingents from States Members of the League ;

(iii) National Forces operating directly under the authority of the League, or indirectly with League authority in accordance with Treaties which are interdependent with the League Covenant.

*Permanent
international
police force*

The establishment of a permanent international police force, voluntarily enlisted under League authority to prevent individual action in disregard of the League Covenant, and to enforce the League's decisions has, admittedly, not yet reached the point of practical application. For the purposes of the present report, therefore, whatever the merits or demerits of the proposal may be, it requires no detailed consideration.

*International
Force
consisting of
national
contingents*

The second method of procedure would be the formation of an international League force composed of national contingents furnished by States Members of the League in accordance with the recommendations of the League Council under Article 16, para. 2. While there is no precedent for the formation of such a force for the purpose of applying military sanctions under that Article, interesting experience was gained by the League as a result of its decision to despatch an international force to the Saar to maintain order in the territory during the Saar Plebiscite.

This decision was taken on the basis of a British proposal for "the introduction into the Saar, on the responsibility of the Council, as a whole, before the Plebiscite took place, of an international force, which should not include troops of either of the two parties concerned, for the purpose of keeping order."¹ The Council thereupon² took note that the United Kingdom and Italy were prepared to "participate in such action on condition that other countries conveniently placed for the purpose, were prepared to contribute thereto" . . . and invited the Governments of those two countries together with those of the Netherlands and Sweden "to take part in the establishment of an international force to be charged under the [Saar] Governing Commission's authority, with the maintenance of order . . ."

A further Resolution on December 11 dealt with the distribution of costs and made arrangements for the legal immunity and compensation of members of the force. A sub-committee drew

(1) Mr. Anthony Eden at the League Council, December 5, 1934.

(2) Resolution of December 8, 1934.

up regulations and financial provisions.¹ The question of authority was settled as follows:—

“Subject to the military requirements of the situation, and without prejudice to any immediate action which may be necessary in the event of emergency, the Commander-in-Chief will comply with such requests as may be made to him by the Chairman of the Governing Commission for the intervention of the force for the purpose of maintaining or restoring order Each of the Governments furnishing a contingent will appoint an officer to the staff of the Commander-in-Chief.”

The international force thus established consisted of the following contingents:—United Kingdom, 1,500; Italy, 1,300; the Netherlands, 250; and Sweden, 260. The command was entrusted to a British General and the British contingent included the complete headquarters unit of a Brigade. Associated with this staff were the staff officers appointed by the three other national contingents. The ensurance of unified command must always be an important consideration, and the method adopted in the instance quoted—the only one in the experience of the League—is of interest.

The experiment in the case of the Saar was one of unqualified success. But the difficulties of co-ordinating the action of a force consisting of national contingents, which would arise in the case of the more extensive and more dangerous operations required to enforce military sanctions, must not be underestimated. These difficulties increase in proportion to the numbers engaged and the extent of the area in which the force is operating.

*National
forces*

In view of these obvious difficulties some experts have been led to the conclusion that most rapid and effective action could be assured by entrusting operations to certain States especially qualified by their geographical situation, power or special interest in the maintenance of peace in the area involved. The States so entrusted would receive the support of all other Members of the League and such further assistance, military, economic, or financial, as they might require.

The successful execution of all operations requires efficient staff work. By entrusting action to the armed forces of certain States, instead of to an international force, advantage could be taken of the permanent staff work carried out by the War Offices of the States concerned, which would naturally be fully acquainted with the special problems of the area affected.

But apart from the special interests and experience of such States, in some cases they will already be bound to take action

(1) For these various resolutions and reports see *League of Nations Official Journal*, December, 1934 (Pt. 2), pp. 1730, 1762-3 and 1841-2.

under agreements concluded by them. These may be either bi-lateral treaties of mutual assistance or multi-lateral regional pacts of mutual guarantee.

Limited or regional pacts

The Franco-Soviet Treaty of Mutual Assistance, signed on May 2, 1935, is an interesting example of the first type. It provides for mutual assistance by the immediate putting into operation, as between the signatories, of the provisions of the League Covenant¹, in cases where their national sovereignty, territorial integrity or political independence are menaced. The obligations of the two signatories as Members of the League are expressly mentioned and it is laid down that "nothing in the present treaty shall be interpreted as restricting its [the League's] mission in carrying out the measures necessary to safeguard effectively the peace of the world."

The Locarno Treaty is an example of the second type of agreement. The treaty contains a clear test of aggression (violation of the Rhineland demilitarized zone), prescribes the notification of the League Council in case of any form of aggression, lays down the important function to be performed by the Council in all cases covered by the treaty and provides for immediate military action in case of flagrant aggression provided it is unprovoked.

Both these treaties safeguard the duties of their signatories under the Covenant, and provide for immediate measures to be taken to organize mutual assistance in the face of unprovoked aggression such as would justify, and might require, the operation of the military measures foreseen in Article 16.

Immediate action

In this way and in specified regions, immediate action is rendered possible in extreme cases without awaiting the recommendations of the Council², the formulation of which may require deliberation and, consequently, delay. Modern warfare demands rapid action and delay may spell disaster. An aerial attack may open hostilities without formal declaration of war. The rapid development of air forces has aggravated the difficulty of the rapid organisation of military sanctions. But practically no act of armed aggression can be committed without a dangerous situation having first arisen which has been referred to the League

(1) Articles 10, 15 para 7, Articles 16 and 17 paras. 1, 3.

(2) Regional and bi-lateral pacts of mutual assistance have been criticised on the ground that they may degenerate into the type of pre-War defensive alliances and that in fact they are little more than "old alliances writ small." On the other hand it is argued in their favour that they have the advantage of facilitating organization in advance and that they were approved by the League Arbitration and Security Committee provided that they operated "in conjunction with the duties of the League Council" and did not conflict with their signatories' obligations under the Covenant.

Council. In such a case the States Members of the Council will have had an opportunity, under Articles 10 or 11, of examining the circumstances of the situation and discussing the measures which might be taken should action under Article 16 subsequently be necessary.

* * * *

*Summary
of main
points
emerging
in Part II*

In concluding this section and the examination of the different types of measures which can be applied as sanctions against an aggressor it is convenient to summarise the main points which have emerged.

These are as follows :—

(a) Effective international sanctions are, essentially, two only—the economic sanction and the military sanction. The complete international boycott, which includes all lesser economic measures, is the only economic sanction of universal efficacy.

(b) The economic sanction inevitably causes economic repercussion in the States enforcing it, and may involve some of them in partial military operations. But an embargo on all imports is simple to enforce, is effective within its limits, and has few serious repercussions in the enforcing State.

(c) In organising an international System of Sanctions the question of compensation will require consideration.

(d) The economic sanction, provided that all States without any serious exception co-operate in enforcing it, will in the long run achieve its purpose.

(e) In the meanwhile determined or insensate aggression may do so much harm to its victim that the will and the power to apply the military sanction must be present.

(f) The military sanction must, if it is to be effective, be capable of *immediate* application by overwhelming force.

(g) The difficulties of organising any form of international force, capable of affording *immediate* assistance to a victim of aggression, are very considerable. But the system of regional pacts, registered, and endorsed by the League, whereby assistance, if required, will be immediately rendered by States who are not only best placed to give it but are also interested parties, may offer a method of solving the problem of rapid and effective organisation and co-ordination.

PART III. PROBLEMS OF APPLICATION

The conditions favourable to the application of an effective system of sanctions may be summarised as follows:—

(a) Generally speaking, all States, without serious exception, must agree to their application.

(b) Application should be simultaneous, since any delay by one or other of the States taking part increases the inequality of the burden.

(c) Sanctions should be immediate, applying the remedy the moment the ill is manifested.

(d) They must be inevitable, since if there is any doubt about their being brought into application in the event of an act of law-breaking, a would-be aggressor may be encouraged to take the chance of not incurring retribution.

The obstacles to the fulfilment of these pre-requisites are of two kinds, national and international: (1) those which are due to special internal conditions of individual States; (2) those which arise out of the nature of the relations then existing between States.

(1) NATIONAL PROBLEMS.

(a) *Public Opinion*.—Whether or not sanctions are to be applied in any particular case depends, in the last resort, upon whether, in the nations which are called upon to take part in them, public opinion is substantially in favour of their application. The degree in which public opinion can act effectively depends, of course, on the constitution of the State. But two very different elements of public opinion—extreme pacifist opinion and extreme isolationist opinion—may present obstacles to agreement on the application of sanctions.

Pacifism

The extreme pacifist point of view regards the use of armed force as unjustifiable under any circumstances. And, since it is often maintained that the enforcement of economic sanctions, in such a manner as to ensure their effective use, may involve the enforcing States in armed conflict, at least by sea, pacifist opinion may oppose the assumption of any obligation of this kind. There is also the view that war leaves things worse than they were before.

Isolationism

Advocates of a policy of isolation must, *ex hypothesi*, oppose the institution of sanctions. The isolationist may not agree with the pacifist that war can be banished from the world, but he holds most strongly that it is the interest and duty of his own country to keep out of war, great or small; that its efforts to reduce the frequency and scope of future wars should be confined to ensuring that it shall not itself be dragged into the conflicts

of others ; and that, if every country is committed in advance to use sanctions against an aggressor, it becomes impossible to localize any conflict. This school of thought is particularly strong in powerful States which believe that their geographical situation and their maintenance of overwhelming armed forces are sufficient to assure them immunity, but it also finds supporters among some of those Powers whose aloofness and lack of material wealth and colonies renders it unlikely that they will be attacked.

Uncertainty

A further obstacle to the formation of a united public opinion in favour of the application of sanctions is apprehension concerning the real purpose for which they are designed. The conviction that sanctions may be employed not so much for the maintenance of peace as for the maintenance of what in the eyes of some is a defective *status quo*, and the belief that Article 19 of the Covenant is not a sufficient guarantee against their abuse, are very prevalent in some of the countries which are dissatisfied with the territorial adjustments of the Peace Treaties.

A further cause of uncertainty which may divide public opinion in certain cases is the absence of a clear case of unprovoked aggression ; that is to say, of a case which is clear to the " man in the street " without special knowledge of the details. Even with a knowledge of the full facts of the case it may not always be possible to determine the aggressor¹ with certainty. So for the ordinary man a decision may be very much more difficult.

*Fear of
refer-
cussions*

Even when confronted with a clear issue, some sections of the community may fear monetary loss or personal hardship as a result of the operation of sanctions and be led to oppose them. It is natural that commercial interests, in particular, should oppose the application of sanctions until their necessity is proved. Strong conviction is necessary before people are in a mood to make the sacrifices which the operation of sanctions may involve.

*Party
politics*

The policies of political parties may also exercise an important influence in moulding public opinion for or against the application of sanctions. Apart from the extreme views of communist and fascist parties, other parties may appear to lay different emphasis upon support for the League in the enunciation of their policies. Such emphasis will clearly affect their policy regarding the application of sanctions, some stressing the principle and others tempering their support for the principle with careful consideration of the circumstances of each case and the practicability of application. Until a moment of real national emergency arises in which the nation is united in the execution of an agreed policy, the

(1) See below, pp. 54-6.

views of Government and Opposition parties are likely to differ in some respects, however slight that difference may be.

(b) *National Policy*.—A Government's ability to take the drastic steps which the application of sanctions involves may, in some cases, depend upon internal conditions, economic and financial, as well as political. When faced with an internal crisis a Government may be unable to contemplate any interference with its economy which might precipitate a crash.

There is also another aspect of Government policy. For reasons connected with the view it takes of its vital interests, and the fundamentals of national security, a Government might in certain exceptional circumstances decide that, in spite of its obligations under the Covenant, any attempt to carry out those obligations might involve ultimate and serious danger. In such circumstances a Government might feel itself compelled to disregard its obligations and even, if such action necessitated, leave the League.

A complication may be caused by the possible existence of prior national agreements or undertakings which make it difficult for one or more of the Powers, which might be called upon to agree to or execute sanctions, to act. This difficulty would, however, seem to be covered by Article 18 of the Covenant, under which no international engagement is binding unless registered with the League Secretariat. Article 20 might also provide a solution, inasmuch as it prescribes the automatic abrogation of any understanding inconsistent with the Covenant.

(c) *National Sovereignty*.—Signature of the Covenant and of the Briand-Kellogg Pact has entailed a modification of the jealously-guarded traditional conception of national sovereignty, but while national sovereignty is not generally regarded as an insuperable, or ever a serious, obstacle to agreement upon the institution of sanctions, each State preserves the right to decide for itself whether the conditions, which render necessary the execution of its obligations under Article 16, have been fulfilled. In this case the execution of those obligations rests with each State and not as a result of a League decision imposed upon it. Further, certain legislation may be necessary before it can put into operation on its own territory some of the measures recommended by the League.

In his speech at the opening of the 1935 Assembly on September 11, Sir Samuel Hoare outlined the British view:—

" [The League] is not a super-State, nor even a separate entity, existing of itself independent of or transcending the States which make up its membership. The Member States have not abandoned the sovereignty that resides in each of them, nor does the Covenant

require that they should, without their consent in any matter touching their sovereignty, accept decisions of other Members of the League. Members of the League are bound by obligations that they themselves have assumed and by nothing more. They do not act at the bidding of the League, but in virtue of agreements to which they themselves are parties, or in pursuance of policies, to which they themselves resort."

(2) INTERNATIONAL CONDITIONS.

(a) *Attitude of non-Member States.*—Agreement as to the advisability or practicability of sanctions is still very far from universal. The authors of Article 16 of the Covenant envisaged a League which would include all the important Powers of the World. But the catholicity of the League was destroyed from the outset by the non-adherence of the U.S.A., and it has been weakened still further by the successive defections of Germany and Japan.¹ Thus three of the seven great Powers are bound by no international agreement to take active measures against a wrong-doer. To some extent this deficiency is repaired by their signature of the Briand-Kellogg Pact, but the undertakings defined by that instrument are negative rather than positive.

The possible attitude of States non-Members of the League consequently assumes great importance in every crisis. Neither Germany nor Japan has yet formulated any policy with regard to League sanctions.

The official policy of the United States has been defined during recent years in declarations by Secretaries of State and others. In January, 1932, Mr. Stimson presented his non-recognition policy regarding *de facto* situations resulting from a contravention of the Briand-Kellogg Pact. His interpretation of the implications of this policy suggested that, with war outlawed by the nations of the world, neutral duties should be substituted for neutral rights. Considerable interest was aroused in May, 1933, by the declaration of Mr. Norman Davis at the Disarmament Conference in which he said that his Government was "willing to consult with other States in case of a threat to peace with a view to averting conflict," and further that his Government would "refrain from any action tending to defeat" the collective efforts of other States to restore the peace by sanctions against a wrong-doer, provided that the United States concurred in their verdict. This offer was, however, made contingent upon the conclusion of a disarmament agreement and has not, therefore, been implemented.

A more recent sign of departure from the traditional American

(1) Other non-Members are: Brazil, Egypt, Iceland, Sa'udi Arabia, Yemen, Costa Rica, Vatican City, Danzig Free City, Liechtenstein, San Marino and Monaco. Paraguay gave notice of withdrawal on February 24, 1935.

interpretation of the rights of neutrals is provided by the Neutrality Legislation passed through Congress in August, 1935. This Legislation enables the President on the outbreak of war in any part of the world to place an embargo on shipments of arms and implements of war to belligerent States and to warn American citizens who travel on the ships of belligerents that they do so at their own risk.¹ Though not so far interpreted in a wider sense it remains to be seen whether the phrase "implements of war" might be held to cover all materials essential for war purposes.

The attitude of the three Powers which are not Members of the League may play an all-important part in deciding the success of any measures which the League may decide to apply against an aggressor. They are all industrial exporting States, and, should they decide to continue to trade with the aggressor, it may be necessary for League Members to enforce a blockade and claim belligerent rights, including the privilege of visit and search which such rights confer. Should the non-Member Powers decide to oppose such a claim, though it is fully recognised by international law, and insist upon the freedom of the seas for all trade, the League would be confronted with a situation of great delicacy and be seriously embarrassed in its efforts.

The recent Act passed by the American Congress, though not as far-reaching as Mr. Norman Davis's declaration of 1933, offers renewed hope of a partial solution of this problem, in a passive sense, as far as the United States of America is concerned.

(b) *The Problem of the International Executive.*—As has already been pointed out the League of Nations is not a super-State. Its Members are bound only in so far as they have willingly accepted certain obligations. The Council, therefore, has a purely advisory function to perform in the organisation of sanctions. Nevertheless the part it plays is not only important but essential. The efficacy of sanctions, particularly of military sanctions, depends upon rapid and simultaneous application. To achieve this result machinery for organisation and for the co-ordination of the efforts of individual States is essential. The Council alone can perform this function adequately. Its machinery operates rapidly and its secretariat has the advantage of continuous experience in the handling of League problems.

The circumstances of each case in which the application of sanctions may become necessary differ considerably. Consequently the extent of organisation, which can be provided for in

(1) See Appendix VI.

advance, must be limited to general provisions, such as the improvement of communications in time of emergency and the examination of the likely effect and repercussions of any measures which may be imposed. In view of this, flexibility is above all required, and the League Council procedure possesses it in the necessary degree. In any case, all disputes are likely to come before it in their early stages, and full opportunity will be given for their examination and the study of the measures which might in certain circumstances be applied.

One of the difficulties inherent in the problem of a League executive is the existence of Great Powers outside its membership. This fact has given rise to various proposals for securing the co-operation of such States with the League in its efforts to prevent war. Resort to war is not only a contravention of the Covenant, but also of the Briand-Kellogg Pact, an international obligation accepted by virtually all the civilised nations in the world. Mr. Norman Davis's declaration of May, 1933, seemed to offer a solution as far as the United States of America was concerned, but the conditions on which the validity of the declaration depended have not been fulfilled. Alternative suggestions have been put forward by M. Litvinov, who proposed the transformation of the Disarmament Conference into a Permanent Peace Conference; and by Lord Howard of Penrith, who advocated the formation of a Conference of Ambassadors in Washington, which was to meet in case of a resort to war and function in co-operation with the Council of the League in determining the aggressor and organising the international measures to be taken against him.

(c) *The Determination of Aggression.*—But the difficulty of determining the aggressor remains the problem which is fundamental to the whole question of sanctions. Should it be possible in all cases to determine with complete certainty that *unprovoked* aggression had been committed, the question of obtaining complete agreement on enforcing sanctions might be less difficult.

Two views have been put forward. One view takes the line that an exhaustive formulation of criteria of aggression would meet the requirements of any case. The other argues that rigid definitions can be circumvented, or in certain circumstances may establish aggression on paper when it may not actually exist. Yet another view holds that any resort to war, except in self-defence against actual attack, should be ruled out and that the employment of armed force must be prevented in all cases, whatever the apparent justification for it may be.

Various attempts have been made to draw up definitions of the aggressor or of aggression. But the difficulty in most cases has been the necessity of explaining the phrase "resort to war."

Article 10 of the Covenant speaks of "external aggression" against the territorial integrity and existing political independence of Members of the League; while Article 16 refers to "resort to war in disregard of covenants under Articles 12, 13 or 15."¹ The Geneva Protocol in 1924 suggested as a test of aggression the failure of a State to submit a dispute to the procedure of pacific settlement provided by the Covenant and amplified in the Protocol, or to comply with any awards which might be given, or any provisional measures enjoined by the Council, including the observance of an armistice. Article 4 of the Locarno Treaty prescribes that the crossing of the frontier or the outbreak of hostilities or the assembly of armed forces in the Rhineland demilitarised zone constitutes aggression within the terms of the Treaty. At other times suggestions have been made to include such acts as industrial, economic or secret military mobilization in the tests to be applied for aggression.

The Briand-Kellogg Pact, on the other hand, makes no attempt to supply such a test, it being implicit in its provisions that any action which seeks to carry out a policy "except by pacific means" is a breach of the Treaty. The French Plan submitted to the Disarmament Conference in 1932 suggested that an attack or invasion of national territory by foreign forces should involve immediate collective assistance, while in May, 1933, President Roosevelt suggested an international agreement not to send armed forces over national frontiers, any breach of which would be condemned by world opinion. The most comprehensive attempt to define aggression and determine the aggressor was made as a result of proposals by M. Litvinov and the Belgian delegation to the League in the same year. The Belgian proposal advocated the establishment at each capital of a Commission of Five, selected from a panel drawn up by the Permanent Disarmament Commission or by the League Council, whose function should be to establish the facts in the event of any aggression or threat of aggression. The Soviet proposal was more detailed; it was examined by the Security Commission of the Disarmament Conference, in June, 1933, which drafted a report containing certain modifications of the original proposal. M. Litvinov, however, gave his scheme practical form by the conclusion of three International Conventions for the definition of the aggressor in July, 1933.² These Conventions determine as the aggressor any State which is the first to commit any of the following acts:—

(1) For the scope of this definition see above, p. 13.

(2) Signed by U.S.S.R., Afghanistan, Esthonia, Latvia, Persia, Poland, Rumania and Turkey, July 3, 1933; by U.S.S.R., Czechoslovakia, Rumania, Turkey and Yugoslavia, July 4, 1933, and with Lithuania, July 5, 1933; Finland adhered on July 22, 1933.

- " 1. Declaration of war against another State ;
2. Invasion by armed forces, even without a declaration of war, of the territory of another State ;
3. An attack by armed land, naval, or air forces, even without a declaration of war, upon the territory, naval vessels, or aircraft of another State ;
4. Naval blockade of the coasts or ports of another State ;
5. Aid to armed bands formed on the territory of a State and invading the territory of another State, or refusal, despite demands on the part of the State subjected to attack, to take all possible measures on its own territory to deprive the said bands of any aid and protection."

It was further laid down that no considerations of a political, military, economic, or any other nature could serve as an excuse or justification of aggression as specified above. An Appendix contained further elaborations providing that none of the following circumstances might be used to justify any act of aggression :—

" The internal position of any State, as, for example : its political, economic, or social structure ; alleged shortcomings of its administration ; disorder following upon strikes, revolutionary or counter-revolutionary movements, and civil war ;

" The international conduct of any State, as, for example : infringement or a threat of infringing the material or moral rights or interests of a foreign State or its citizens ; rupture of diplomatic or economic relations ; measures of economic or financial boycott ; conflicts in the sphere of economic, financial, or other obligations in connection with foreign Governments ; border incidents which do not fall under any of the cases of aggression indicated in Article II."

* * * *

In considering the problem of sanctions it must be borne in mind, as Sir Samuel Hoare pointed out at Geneva on September 11, 1935, that collective security is a complex conception :

" It means much more than what are commonly called sanctions. It means not merely Article 16, but the whole Covenant. It assumes a scrupulous respect for all treaty obligations. Its foundation is the series of fundamental obligations, freely accepted by Members of the League, to submit any dispute likely to lead to war to peaceful methods of settlement according to the procedure provided by the Covenant, and not to resort to war for the settlement of disputes in violation of the Covenant. The two principal conditions in which the system of collective security is designed to operate are first, that the Members of the League shall have reduced their armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations ; and, secondly, that the possibility is open, through the machinery of the League, for the modification by consent and by peaceful means of international conditions whose continuance might be a danger to peace. Finally, to complete the system, there is the obligation to take collective action to bring war to an end in the event of any resort to war in disregard of the Covenant obligations. Underlying these obligations was the expectation that this system would be subscribed to by the universal world of sovereign states, or by far the greatest part of it."

APPENDICES

I. RELEVANT ARTICLES OF THE LEAGUE COVENANT.

Article 10.—The Members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all Members of the League. In case of any such aggression or in case of any threat or danger of such aggression the Council shall advise upon the means by which this obligation shall be fulfilled.

Article 11.—1. Any war or threat of war, whether immediately affecting any of the Members of the League or not, is hereby declared a matter of concern to the whole League, and the League shall take any action that may be deemed wise and effectual to safeguard the peace of nations. In case any such emergency should arise the Secretary-General shall on the request of any Member of the League forthwith summon a meeting of the Council.

2. It is also declared to be the friendly right of each Member of the League to bring to the attention of the Assembly or of the Council any circumstance whatever affecting international relations which threatens to disturb international peace or the good understanding between nations upon which peace depends.

Article 12.—1. The Members of the League agree that, if there should arise between them any dispute likely to lead to a rupture, they will submit the matter either to arbitration or judicial settlement or to inquiry by the Council and they agree in no case to resort to war until three months after the award by the arbitrators or the judicial decision, or the report by the Council.

2. In any case under this Article, the award of the arbitrators or the judicial decision shall be made within a reasonable time, and the report of the Council shall be made within six months after the submission of the dispute.

Article 13.—1. The Members of the League agree that, whenever any dispute shall arise between them which they recognise to be suitable for submission to arbitration or judicial settlement, and which cannot be satisfactorily settled by diplomacy, they will submit the whole subject-matter to arbitration or judicial settlement. . . .

4. 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 resort to war against any Member of the League that complies therewith. In the event of any failure to carry out such an award or decision, the Council shall propose what steps should be taken to give effect thereto.

Article 15.—1. If there should arise between Members of the League any dispute likely to lead to a rupture, which is not submitted to arbitration or judicial settlement in accordance with Article 13, the Members of the League agree that they will submit the matter to the Council. Any party to the dispute may effect such submission by giving notice of the existence of the dispute to the Secretary-General, who will make all necessary arrangements for a full investigation and consideration thereof.

2. For this purpose the parties to the dispute will communicate to the Secretary-General, as promptly as possible, statements of their case, with all the relevant facts and papers, and the Council may forthwith direct the publication thereof.

3. The Council shall endeavour to effect a settlement of the dispute, and if such efforts are successful, a statement shall be made public giving such facts and explanations regarding the dispute and the terms of settlement thereof as the Council may deem appropriate.

4. If the dispute is not thus settled, the Council either unanimously or by a majority vote shall make and publish a report containing a statement of the facts of the dispute and the recommendations which are deemed just and proper in regard thereto.

5. Any Member of the League represented on the Council may make public a statement of the facts of the dispute and of its conclusions regarding the same.

6. If a report by the Council is unanimously agreed to by the members thereof other than the Representatives of one or more of the parties to the dispute, the Members of the League agree that they will not go to war with any party to the dispute which complies with the recommendations of the report.

7. If the Council fails to reach a report which is unanimously agreed to by the members thereof, other than the Representatives of one or more of the parties to the dispute, the Members of the League reserve to themselves the right to take such action as they shall consider necessary for the maintenance of right and justice.

8. If the dispute between the parties is claimed by one of them, and is found by the Council to arise out of a matter which by international law is solely within the domestic jurisdiction of that party, the Council shall so report, and shall make no recommendation as to its settlement.

9. The Council may in any case under this Article refer the dispute to the Assembly. The dispute shall be so referred at the request of either party to the dispute, provided that such request be made within fourteen days after the submission of the dispute to the Council.

10. In any case referred to the Assembly, all the provisions of this Article and of Article 12 relating to the action and powers of the Council shall apply to the action and powers of the Assembly, provided that a report made by the Assembly, if concurred in by the Representatives of those Members of the League represented on the Council and of a majority of the other Members of the League, exclusive in each case of the Representatives of the parties to the dispute, shall have the same force as a report by the Council concurred in by all the members thereof other than the Representatives of one or more of the parties to the dispute.

Article 16.—1. Should any Member of the League resort to war in disregard of its covenants under Articles 12, 13, or 15, it shall *ipso facto* be deemed to have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between their nationals and the nationals of the covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State, whether a Member of the League or not.

2. It shall be the duty of the Council in such case to recommend to the several Governments concerned what effective military, naval, or air force the Members of the League shall severally contribute to the armed forces to be used to protect the covenants of the League.

3. The Members of the League agree, further, that they will mutually support one another in the financial and economic measures which are

taken under this Article, in order to minimise the loss and inconvenience resulting from the above measures, and that they will mutually support one another in resisting any special measures aimed at one of their number by the covenant-breaking State, and that they will take the necessary steps to afford passage through their territory to the forces of any of the Members of the League which are co-operating to protect the covenants of the League.

4. Any Member of the League which has violated any covenant of the League may be declared to be no longer a Member of the League by a vote of the Council concurred in by the Representatives of all the other Members of the League represented thereon.

Article 17.—1. In the event of a dispute between a Member of the League and a State which is not a Member of the League, or between States not Members of the League, the State or States not Members of the League shall be invited to accept the obligations of membership in the League for the purposes of such dispute, upon such conditions as the Council may deem just. If such invitation is accepted, the provision of Articles 12 to 16 inclusive shall be applied with such modifications as may be deemed necessary by the Council.

2. Upon such invitation being given the Council shall immediately institute an inquiry into the circumstances of the dispute and recommend such action as may seem best and most effectual in the circumstances.

3. If a State so invited shall refuse to accept the obligations of membership in the League for the purposes of such dispute, and shall resort to war against a Member of the League, the provisions of Article 16 shall be applicable as against the State taking such action.

4. If both parties to the dispute when so invited refuse to accept the obligations of membership in the League for the purposes of such dispute, the Council may take such measures and make such recommendations as will prevent hostilities and will result in the settlement of the dispute.

Article 19.—The Assembly may from time to time advise the reconsideration by Members of the League of treaties which have become inapplicable and the consideration of international conditions whose continuance might endanger the peace of the world.

II. RELEVANT ARTICLES OF THE BRIAND-KELLOGG PACT

Article I.—The High Contracting Parties solemnly declare, in the names of their respective peoples, that they condemn recourse to war for the solution of international controversies and renounce it as an instrument of national policy in their relations with one another.

Article II.—The High Contracting Parties agree that the settlement or solution of all disputes or conflicts, of whatever nature or of whatever origin they may be, which may arise among them, shall never be sought except by peaceful means.

(1) The Preamble contained the following sentence: ". . . any signatory Power which shall hereafter seek to promote its national interests by resort to war should be denied the benefits furnished by this Treaty." Article III contained provision for ratification and entry into force.

III. TEXT OF BRITISH NOTE TO FRANCE.

September 26, 1935.¹

In the inquiry which you were so good as to address to Sir Robert Vansittart on September 10 your Excellency expressed the desire of your Government, in connexion with the present dispute between Italy and Abyssinia, to learn to what extent they might be assured in the future of the immediate and effective application by this country of all the sanctions provided in Article 16 of the Covenant in the event of a violation of the Covenant of the League of Nations and a resort to force in Europe ; and you referred in particular to the eventuality of a resort to force in Europe on the part of some European State, whether or not that State might be a member of the League of Nations.

I have the honour, in reply, to invite your attention to the words which I used in the course of my speech to the League Assembly at Geneva on September 11. I then declared that his Majesty's Government in the United Kingdom would be second to none in their intention to fulfil, within the measure of their capacity, the obligations which the Covenant lays upon them ; and I added that the ideas embodied in the Covenant, and in particular the aspiration to establish the rule of law in international affairs, had appealed with growing force to the strain of idealism in the British national character, and that they had indeed become a part of the national conscience.

As your Excellency will also recollect, I further took the opportunity in the course of my speech at Geneva to repudiate any suggestion that the attitude of his Majesty's Government had been one of other than unswerving fidelity to the League and all that it stands for, and I drew attention to the fact that the recent response of public opinion in this country showed how completely the nation supported the Government in the full acceptance of the obligations of League membership, which was the oft proclaimed keynote of their foreign policy. I added that to suggest or insinuate that this policy was for some reason peculiar to the Italo-Abyssinian conflict would be a complete misunderstanding. Nothing could in fact be farther from the truth. I said, and I sincerely welcome this opportunity to repeat with full responsibility, that it is to the principles of the League, and not to any particular manifestation thereof, that the people of this country had demonstrated their adherence. Any other view would at once be an under-estimate of British good faith and an imputation upon British sincerity. In conformity with its precise and explicit obligations I pointed out, and I re-emphasize, that the League stands, and this country stands with it, for the collective maintenance of the Covenant in its entirety, *and particularly for steady and collective resistance to all acts of unprovoked aggression.*

I would draw your Excellency's particular attention to this last sentence. I think it will be generally agreed that no member of the League could lay down its policy, in advance of any particular case likely to bring that policy into consideration, with greater clarity and decision than in those words. Your Excellency will observe that I spoke, as I am now writing, of all acts of unprovoked aggression. Each word in that sentence must have its full value. It is at once evident that procedure under Article 16 of the Covenant, appropriate as regards a positive act of unprovoked aggression, is not made applicable as regards the negative act of the failure to fulfil the terms of a treaty. Further, in the case of a resort to force,

(1) *The Times*, September 29, 1935.

it is clear that there may be degrees of culpability and degrees of aggression, and that consequently, in cases where Article 16 applies, the nature of the action appropriate to be taken under it may vary according to the circumstances of each particular case. Your Government, as I am aware, already recognizes these distinctions. And similarly in regard to treaty obligations it is pertinent to recall that, as I have already said at Geneva, elasticity is a part of security, and that every member of the League must recognize, as the Covenant itself recognizes, that the world is not static.

If it be suggested that this declaration of support for the principles of the Covenant embodied in my recent speech at Geneva, and reaffirmed in the present note, represents only the policy of his Majesty's present Government, and not necessarily that of their successors in office, I may point out that, while my words at Geneva were in fact spoken on behalf of the present Government of this country, those words were also spoken with the overwhelming support and approval of the people of this country. As I stated at Geneva, and as has since become increasingly evident, the attitude of public opinion in the last few weeks has clearly demonstrated the fact that it is moved by no variable and unreliable sentiment but is concerned with a general principle of international conduct to which it will firmly hold, so long as the League remains an effective body. His Majesty's Government believe that an organism which, in the considered opinion of this nation, represents the one and only real hope of avoiding the senseless disasters of the past and ensuring world peace by collective security in the future, will not lightly render itself impotent by lack of faith in, and refusal of effective action on behalf of, its own ideals. But that faith and that action must, like the security, be collective. The point is so vital that I must in conclusion once more quote my words at Geneva. "If risks for peace are to be run they must be run by all." So long as the League preserves itself by its own example, this Government and this nation will live up to its full principles.

IV. ANNEX F TO THE LOCARNO TREATY.

The German delegation has requested certain explanations in regard to Article 16 of the Covenant of the League of Nations.

We are not in a position to speak in the name of the League, but in view of the discussions which have already taken place in the Assembly and in the commissions of the League of Nations, and after the explanations which have been exchanged between ourselves, we do not hesitate to inform you of the interpretation which, in so far as we are concerned, we place upon Article 16.

In accordance with that interpretation the obligations resulting from the said article on the members of the League must be understood to mean that each State member of the League is bound to co-operate loyally and effectively in support of the Covenant and in resistance to any act of aggression to an extent which is compatible with its military situation and takes its geographical position into account.

EMILE VANDERVELDE, ARISTIDE BRIAND, AUSTEN CHAMBERLAIN,
BENITO MUSSOLINI, EDUARD BENES, ALEKSANDER SKRZYNSKI.

V. RESOLUTION REGARDING THE NEUTRALITY OF
SWITZERLAND ADOPTED BY THE LEAGUE COUNCIL,
FEBRUARY 13, 1920.¹

The Council of the League of Nations, while affirming that the conception of neutrality of the members of the League is incompatible with the principle that all members will be obliged to co-operate in enforcing respect for their engagements, recognizes that Switzerland is in a unique situation, based on a tradition of several centuries which has been explicitly incorporated in the Law of Nations; and that the members of the League of Nations, signatories of the Treaty of Versailles, have rightly recognized by Article 435 that the guarantees stipulated in favour of Switzerland by the Treaties of 1815, and especially by the Act of November 20, 1815, constitute international obligations for the maintenance of peace. The members of the League of Nations are entitled to expect that the Swiss people will not stand aside when the high principles of the League have to be defended. It is in this sense that the Council of the League has taken note of the declaration made by the Swiss Government in its message to the Federal Assembly of August 4, 1919, and confirmed by the Swiss delegates at the meeting of the Council and in accordance with which Switzerland recognizes and proclaims the duties of solidarity which membership of the League of Nations imposes upon her, including therein the duty of co-operating in such economic and financial measures as may be demanded by the League of Nations against a Covenant-breaking State, and is prepared to make every sacrifice to defend her own territory under every circumstance, even during operations undertaken by the League of Nations, but will not be obliged to take part in any military action or to allow the passage of foreign troops or the preparations of military operations within her territory.

In accepting these declarations, the Council recognizes that the perpetual neutrality of Switzerland and the guarantee of the inviolability of her territory as incorporated in the Law of Nations, particularly in the treaties and in the Act of 1815, are justified by the interests of general peace, and as such are compatible with the Covenant.

(1) *League of Nations Official Journal*, First Meeting of the Council, March, 1920.

VI. AMERICAN NEUTRALITY ACT OF AUGUST, 1935.¹

This was passed by the United States Congress as Senate Joint Resolution 173 on August 29, and received the President's approval on August 31, 1935. It provides for:—

1. Authorization to the President to impose "upon the outbreak or during the progress of war," as soon as the President has proclaimed the existence of such a war, an embargo upon the export of arms, munitions and implements of war to all belligerents "from any place in the United States or possessions of the United States to any port of such belligerent States, or to any neutral port for transshipment to, or for the use of, a belligerent country."

The embargo may be extended to other States as and when they become involved in such a war. The validity of this provision expires on February 29, 1936.

2. A system of registration and licensing of the manufacture, export and import of arms and munitions under supervision of a National Munitions Control Board composed of the Secretary of State, Secretary of the Treasury, Secretary of War, Secretary of the Navy and Secretary of Commerce. The manufacture, export or import of arms and munitions is made unlawful except for those persons or firms registered with the Board and in possession of a licence.

3. Delegation of power to the President:

(a) To withhold protection from American citizens travelling on any vessel of any belligerent nation "whenever, during any war in which the United States is neutral, the President shall find that the maintenance of peace between the United States and foreign nations, or the protection of the lives of the citizens of the United States, or the protection of the commercial interests of the United States or its citizens, or the security of the United States, requires that the American citizen should refrain from travelling as passenger" on such vessels;

(b) To prohibit the entrance of any foreign submarine during war into American ports or territorial waters except under conditions prescribed by the President;

(c) To require bond of vessels suspected of leaving an American port for the purpose of delivering up to any belligerent warship or supply ship, men or fuel, munitions or other supplies.

It should be noted that the operation of the arms embargo in section 1 is limited in the first instance to a period of six months and is applicable equally to both or all belligerents. Further the Act merely authorizes, but does not require, the imposition of an embargo. The maximum penalty for a breach of any section of the Act is a fine of \$10,000 or five years' imprisonment.

The provisions of the Act have been put into operation by a series of Presidential Proclamations. On September 21, 1935, the State Department announced the creation as part of its administrative machinery of an office of Arms and Munitions Control to fulfil the purposes of the National Munitions Board provided for in Section 2 of the Act. The registration for licensing purposes of all concerns manufacturing, exporting or importing arms, etc., must be effected with this office.

(1) For a full discussion of the provisions and implications of the Act see *American Neutrality and Collective Security* by Raymond Leslie Buell. Geneva Special Studies, Vol. VI, No. 6. Geneva Research Centre, September, 1935.

On September 26, the President proclaimed "a list of articles which shall be considered arms, ammunition and implements of war for the purpose of Section 2 of the Act." The list included rifles, revolvers, machine guns, automatic rifles, etc., howitzers and mortars, ammunition for these various arms, bombs, torpedoes and mines, tanks and armoured cars, vessels of war of all kinds including aircraft carriers and submarines, aircraft and the parts thereof, flame throwers, mustard gas and its release apparatus.

On October 5, the President issued a further proclamation bringing into operation the arms embargo in view of "the situation which has unhappily developed between Ethiopia and Italy"; it continued:—

"Notwithstanding the hope we entertained that war would be avoided and the exertion of our influence in that direction, we are now compelled to recognize the simple and indisputable fact that Ethiopian and Italian armed forces are engaged in combat, thus creating a state of war within the intent and meaning of the Joint Resolution.

In these specific circumstances I desire it to be understood that any of our people who voluntarily engage in transactions of any character with either of the belligerents do so at their own risk."

The proclamation put into operation an arms embargo covering a list of arms, ammunition and implements of war similar to that issued on September 26 for licensing purposes. Beyond this the wording of the second paragraph quoted above is significant in that it creates a category of transactions with the belligerents covering a very wide field. It was presumably on the basis of this proclamation that the Government Export and Import Bank announced, on October 9, that it would not accede to the request for credits from firms desiring to trade with Italy; the question of loans to Italy was already covered by the provisions of the Johnson Act of April, 1934, which prohibited loans to States which had defaulted on their war debt payments to the United States. The scope of this undefined category of transactions is wide, and in formulating such a warning the President appears to have gone as far as he could within the limits of the Act towards the fulfilment of "neutral duties." Whether it would be possible for him to go further by interpreting the phrase "implements of war" in a wider sense, to include materials essential for war purposes and for the manufacture of arms and munitions, remains a matter of debate.

On October 5 another proclamation was issued by the President, in accordance with Section 3 of the Act, requiring American citizens to refrain from travelling in vessels of the belligerent nations and warning them that if they did so it would be at their own risk.

It is important to emphasize that the American neutrality legislation should be regarded in the sense of isolationism rather than as co-operation with the League against a declared aggressor, though it is clear that the Executive is prepared not to place obstacles in the way of preventive action by the League. The effect of the Act not only cuts off supplies of arms and munitions from belligerents but also, by virtue of the terms of the President's two proclamations of October 5, makes it possible for the United States to acquiesce in a League blockade against a declared aggressor should such action be decided upon. Were the legislation extended to include a wider interpretation of the term "implements of war" and also a definite prohibition of loans and credits to belligerents, it would contribute materially towards facilitating any League action in the application of sanctions.

VII. WORLD PRODUCTION OF RAW MATERIALS

	Millions of Metric Tons.													
	Coal.	Petroleum.	Iron Ore.	Rubber.	Cotton.	Wool.	Aluminium.	Antimony.	Asbestos.	Bauxite.	Chrome Ore.	Copper.	Fluorspar.	Graphite.
<p>NOTE.—Figures for 1933 or latest available year.</p>														
	Millions of Metric Tons.						Thousands of Metric Tons.							
AFRICA.														
Abyssinia ...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Belgian Congo ...	...	...	...	...	15	...	...	...	...	...	67	...	...	...
Egypt ...	...	...	...	...	385	...	...	...	...	...	...	...	...	...
French North Africa ...	...	...	1	...	8	35	...	...	...	...	...	...	...	...
Gold Coast ...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Italian Somaliland ...	...	...	...	...	1	...	...	...	...	...	...	...	...	...
Madagascar ...	...	...	...	...	...	...	...	...	...	...	...	...	...	3
Nigeria ...	...	...	...	...	5	...	...	...	...	...	...	...	...	...
Rhodesia ...	...	...	...	...	...	...	...	27	...	35	131	...	...	...
South Africa ...	11	...	...	...	...	129	...	15	...	34	8	...	...	...
Sudan ...	...	...	...	...	29	...	...	...	...	...	...	...	...	...
Tanganyika ...	...	...	...	...	5	...	...	...	...	...	...	...	...	...
Uganda ...	...	...	...	...	49	...	...	...	...	...	...	...	...	...
AMERICA.														
Argentina ...	...	2	...	...	43	175	...	...	...	...	...	...	...	...
Bolivia ...	...	...	...	...	...	...	2	...	...	...	2	...	...	...
Brazil ...	...	...	...	9	224	16	...	...	...	...	...	...	...	...
British Guiana ...	...	...	...	...	...	...	...	42	...	...	...	...	...	...
Canada ...	8	...	...	...	...	9	16	144	...	...	136	...	...	...
Chile ...	2	...	1	...	...	15	...	...	...	...	163	...	...	...
Colombia ...	...	2	...	...	...	...	...	...	...	...	...	...	...	...
Cuba ...	...	...	...	...	...	...	...	...	...	24	7	...	...	...
Haiti ...	...	...	...	...	6	...	...	...	...	...	...	...	...	...
Mexico ...	...	5	...	...	56	...	2	...	...	...	40	...	3	3
Newfoundland ...	...	...	...	...	...	...	...	...	...	...	24	...	...	...
Peru ...	...	2	...	...	60	7	...	...	104	...	...	...	...	...
Surinam ...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Trinidad ...	...	1	...	...	...	...	...	...	...	...	...	...	...	...
Uruguay ...	...	...	...	...	...	50	...	...	...	...	...	...	...	...
Venezuela ...	...	17	...	...	...	...	...	...	...	...	...	...	...	...
U.S.A. ...	348	123	18	...	2829	204	39	0.5	4	157	1	176	53	...
ASIA.														
British Borneo ...	...	...	1	...	19	...	...	...	...	...	...	...	...	...
British Malaya ...	...	...	1	453	...	...	...	...	...	...	...	...	...	...
Ceylon ...	...	...	...	65	...	...	...	...	...	...	...	...	...	10
China ...	18	...	...	...	591	28	...	14	...	...	4	...	8	...
Cyprus ...	...	...	...	...	...	...	...	4	...	...	...	...	...	...
India ...	20	1	1	5	919	45	...	...	1	16	11	...	...	...
Indo-China ...	2	...	...	16	1	...	...	...	...	...	...	...	...	...
Iran ...	...	7	...	...	16	22	...	...	...	...	...	...	...	...
Japanese Empire ...	34	...	1	...	30	...	...	...	...	20	74	8	25	...
Manchuria ...	9	...	1	...	...	...	...	...	...	...	...	...	...	...
Netherlands India ...	1	9	...	285	1	...	...	...	...	...	...	...	...	...
Siam ...	...	...	...	7	...	...	...	...	...	...	...	...	...	...
EUROPE.														
Austria ...	...	...	...	...	...	2	...	...	...	...	...	...	...	15
Belgium ...	25	...	...	...	...	...	...	...	...	...	...	...	...	...
Bulgaria ...	...	...	...	...	2	9	...	...	...	2	...	...	...	...
Czechoslovakia ...	11	...	...	...	...	...	0.5	...	...	...	...	...	...	1
Finland ...	...	...	...	...	...	...	...	1	...	...	7	...	...	...
France ...	47	...	30	...	...	19	14	0.5	491	...	24	...	...	...
Germany ...	120	...	3	...	...	14	18	...	...	2	29	31	21	...
Greece ...	...	...	...	...	7	7	...	0.5	...	...	15	...	...	...
Hungary ...	1	...	...	...	...	4	...	...	...	72	...	...	...	...
Italy ...	...	...	...	...	...	12	12	0.5	1	95	...	...	6	3
Luxemburg ...	...	...	3	...	...	...	...	...	...	...	...	...	...	...
Netherlands ...	13	...	...	...	...	1	...	...	...	...	...	...	...	...
Norway ...	...	...	...	...	...	3	15	...	...	...	20	1	2	...
Poland ...	27	1	...	...	...	4	...	...	...	...	...	...	...	...
Portugal ...	...	...	...	...	...	...	...	...	...	...	...	2	...	...
Roumania ...	...	7	...	...	...	25	...	...	...	1	...	...	...	...
Spain ...	6	...	2	...	...	35	1	...	...	2	44	6	...	...
Sweden ...	...	...	3	...	...	...	...	...	...	...	7	...	...	...
Switzerland ...	...	...	...	...	...	...	8	...	...	...	...	...	...	...
Turkey ...	...	...	...	...	28	18	...	...	...	75	...	...	...	...
✓ United Kingdom ...	210	...	8	...	...	54	11	...	...	1	...	28	...	...
U.S.S.R. ...	76	21	15	...	408	63	5	...	60	113	32	...	...	...
Yugoslavia ...	...	...	...	...	...	18	...	0.5	...	81	23	40	...	...
OCEANIA.														
Australia ...	9	...	1	...	4	456	...	...	...	1	1	15	1	...
New Caledonia ...	...	...	...	...	...	...	...	...	...	50	...	...	...	...
New Zealand ...	1	...	...	...	...	136	...	...	...	...	...	...	...	...

Source: League of Nations Statistical Year-Book, 1934-5.

ESSENTIAL FOR WAR PURPOSES.

Lead.	Magnesite.	Manganese.	Mica.	Nickel.	Sulphur.	Sulphur Content of Pyrites mined.	Tin Ore.	Tungsten.	Zinc.	Cadmium.	Cobalt.	Mercury.	Platinum.		
Thousands of Metric Tons.										Metric Tons.		Kilos.			
...	207	AFRICA.
...	608	...	...	...	Abyssinia.
...	Belgian Congo.
7	8	...	...	2	...	600	41	...	...	Egypt
...	...	289	...	...	...	...	...	...	...	...	...	...	...	...	French North Africa.
...	Gold Coast.
...	Italian Somaliland.
...	0.1	...	...	...	...	...	...	...	...	...	...	Madagascar.
1	4	...	...	...	...	...	Nigeria.
...	Rhodesia.
...	118	...	...	...	South Africa.
5	2	21	0.4	...	...	4	...	...	...	...	...	...	...	74	Sudan.
...	Tanganyika.
...	Uganda.
...	AMERICA.
...	Argentine.
3	Bolivia.
8	15	0.2	13	...	...	35	...	...	Brazil.
...	...	25	...	...	...	...	...	...	...	...	...	...	...	...	British Guiana.
121	11	...	0.8	38	...	26	...	...	90	112	208	...	...	771	Canada.
...	9	...	...	...	...	...	...	...	...	Chile.
...	1430	Colombia.
...	Cuba.
...	Haiti.
119	Mexico.
35	Newfoundland.
2	Peru.
...	Surinam.
...	Trinidad.
...	Uruguay.
...	Venezuela.
248	97	18	8.0	...	1429	110	...	0.5	354	1215	...	324	41	...	U.S.A.
...	ASIA.
...	British Borneo.
...	British Malaya.
...	Ceylon.
...	China.
...	Cyprus.
...	India.
98	15	222	2.9	...	...	108	...	...	...	...	...	...	...	...	Indo-China.
...	Iran.
...	Japanese Empire.
8	114	406	2	...	10	...	...	...	8	Manchuria.
...	Netherlands India.
...	Siam.
...	EUROPE.
6	162	6	...	...	...	...	...	...	...	...	...	...	...	...	Austria.
...	Belgium.
1	Bulgaria.
4	19	...	...	...	...	...	...	...	...	...	...	...	...	45	Czechoslovakia.
1	Finland.
1	France.
54	Germany.
7	44	2	...	1	...	89	...	...	...	...	...	...	...	...	Greece.
...	Hungary.
18	4	5	...	...	402	336	...	...	...	...	...	...	...	610	Italy.
...	Luxemburg.
...	Netherlands.
1	2	...	...	1	...	383	...	...	...	...	...	...	...	...	Norway.
5	Poland.
...	Portugal.
...	Roumania.
75	Spain.
8	Sweden.
...	Switzerland.
3	1	8	...	...	...	...	...	...	...	...	...	...	...	...	Turkey.
40	United Kingdom.
14	242	1040	2.6	...	...	...	...	...	...	...	...	...	...	...	U.S.S.R.
61	20	1	...	...	...	...	...	...	...	...	...	...	...	...	Yugoslavia.
...	OCEANIA.
226	10	...	...	...	...	...	...	...	...	...	...	...	...	...	Australia.
...	New Caledonia.
...	New Zealand.

and Imperial Institute Statistical Summary, 1934.

VIII. RESOLUTIONS CONCERNING THE ECONOMIC WEAPON
ADOPTED BY THE ASSEMBLY, OCTOBER 4, 1921.¹

1. The resolutions and the proposals for amendments² to Article 16 which have been adopted by the Assembly shall, so long as the amendments have not been put in force in the form required by the Covenant, constitute rules for guidance which the Assembly recommends, as a provisional measure, to the Council and to the Members of the League in connection with the application of Article 16.

2. Subject to the special provisions of Article 17, the economic measures referred to in Article 16 shall be applicable only in the specific case referred to in this article.

3. The unilateral action of the defaulting State cannot create a state of war: it merely entitles the other Members of the League to resort to acts of war or to declare themselves in a state of war with the Covenant-breaking State; but it is in accordance with the spirit of the Covenant that the League of Nations should attempt, at least at the outset, to avoid war, and to restore peace by economic pressure.

4. It is the duty of each Member of the League to decide for itself whether a breach of the Covenant has been committed. The fulfilment of their duties under Article 16 is required from Members of the League by the express terms of the Covenant, and they cannot neglect them without breach of their Treaty obligations.

5. All cases of breach of Covenant under Article 16 shall be referred to the Council as a matter of urgency at the request of any Member of the League. Further, if a breach of Covenant be committed, or if there arise a danger of such breach being committed, the Secretary-General shall at once give notice thereof to all the Members of the Council. Upon receipt of such a request by a Member of the League, or of such a notice by the Secretary-General, the Council will meet as soon as possible. The Council shall summon representatives of the parties to the conflict and of all States which are neighbours of the defaulting State, or which normally maintain close economic relations with it, or whose co-operation would be especially valuable for the application of Article 16.

6. If the Council is of opinion that a State has been guilty of a breach of Covenant, the Minutes of the meeting at which that opinion is arrived at shall be immediately sent to all Members of the League, accompanied by a statement of reasons and by an invitation to take action accordingly. The fullest publicity shall be given to this decision.

7. For the purpose of assisting it to enforce Article 16, the Council may, if it thinks fit, be assisted by a technical Committee. This Committee, which will remain in permanent session as soon as the action decided on is taken, may include, if desirable, representatives of the States especially affected.

8. The Council shall recommend the date on which the enforcement of economic pressure, under Article 16, is to be begun, and shall give notice of that date to all the Members of the League.

9. All States must be treated alike as regards the application of the measures of economic pressure, with the following reservations:—(a) It may be necessary to recommend the execution of special measures by certain States. (b) If it is thought desirable to postpone, wholly or

(1) League Document. A. 14, 1927, v.

(2) For text of these amendments see footnote on p. 17 above.

partially, in the case of certain States, the effective application of the economic sanctions laid down in Article 16, such postponement shall not be permitted except in so far as it is desirable for the success of the common plan of action, or reduced to a minimum the losses and embarrassments which may be entailed in the case of certain Members of the League by the application of the sanctions.

10. It is not possible to decide beforehand, and in detail, the various measures of an economic, commercial and financial nature to be taken in each case where economic pressure is to be applied.

When the case arises, the Council shall recommend to the Members of the League a plan for joint action.

11. The interruption of diplomatic relations may, in the first place, be limited to the withdrawal of the heads of Missions.

12. Consular relations may possibly be maintained.

13. For the purposes of the severance of relations between persons belonging to the Covenant-breaking State and persons belonging to other States Members of the League, the test shall be residence and not nationality.

14. In cases of prolonged application of economic pressure, measures of increasing stringency may be taken. The cutting-off of the food supplies of the civil population of the defaulting State shall be regarded as an extremely drastic measure which shall only be applied if the other measures available are clearly inadequate.

15. Correspondence and all other methods of communication shall be subjected to special regulations.

16. Humanitarian relations shall be continued.

17. Efforts should be made to arrive at arrangements which would ensure the co-operation of States non-Members of the League in the measures to be taken.

18. In special circumstances and in support of economic measures to be taken, it may become advisable :—(a) to establish an effective blockade of the seaboard of the Covenant-breaking State ; (b) to entrust to some Members of the League the execution of the blockade operations.

19. The Council shall urge upon all the States Members of the League that their Governments should take the necessary preparatory measures, above all of a legislative character, to enable them to enforce at short notice the necessary measures of economic pressure.¹

(1) It seems possible that the British Government is able to take the necessary action, in the earlier stages at least, by means of Orders in Council issued under the authority of the Treaty of Peace Act of 1919, which confirmed the provisions of the Peace Treaties and thus of the League Covenant.

IX. PROCEDURE ADOPTED BY THE LEAGUE FOR THE APPLICATION OF SANCTIONS AGAINST ITALY.

On December 14, 1934, Abyssinia appealed to the League Council and on March 17, 1935, requested it to examine the dispute under Articles 15 and 16 of the Covenant. Direct negotiations between Italy and Abyssinia having failed, the League Council on September 4 began procedure under para. 3 of Article 15 to effect a settlement by conciliation. This attempt was also unsuccessful; the Council therefore proceeded to act under para. 4 and to draw up a report of the history of the dispute including recommendations for a settlement. While it was still engaged on this, Italian forces without declaration of war crossed the frontiers into Abyssinia on October 3 and hostilities began. The Abyssinian Government on October 5 at the meeting of the Council invoked Article 16. Faced with this situation the Council expedited the completion of its report and recommendations, which were adopted unanimously on October 5 (Article 15, para. 6), and set up a sub-Committee to verify the fact of resort to war by Italy. On October 7 this Committee reported that it was "not necessary that war should have been formally declared for Article 16 to be applicable" and that after an examination of the facts of the dispute "the Committee have come to the conclusion that the Italian Government has resorted to war in disregard of its covenants under Article 12 of the Covenant of the League of Nations."

On October 7 this report was submitted to the States Members represented on the Council. Its acceptance was indicated by a roll-call vote. In this way States recorded their opinions individually; each decided for itself on the evidence that resort to war had taken place in disregard of covenants under Articles 12, 13 or 15, and having so decided recognized that the specific case for the application of the measures prescribed in Article 16 had arisen. The Report was then sent, on October 9, to the Assembly, where States Members signified their acceptance by silent assent. Fifty States Members of the League agreed that Italy had violated Article 12 of the Covenant and that the measures prescribed in Article 16 had become applicable.

A Co-ordinating Committee for the application of sanctions was then established, comprising all States Members who had agreed that the case for sanctions had arisen.¹ As this body was too unwieldy for the discussion of details, a Sanctions Sub-Committee of Eighteen was set up, composed of the principal States Members whose co-operation in the application of sanctions was essential. The function of this sub-Committee was to discuss the various types of sanctions applicable and to recommend to the larger body for approval the measures and methods agreed upon. By October 19 several proposals had been recommended to Governments by the Co-ordinating Committee. These were:—

"*Proposal No. 1.*" With a view to facilitating for the Governments of the Members of the League of Nations the execution of their obligations under Article 16 of the Covenant, the following measures should be taken forthwith:—

(1) Austria, Hungary and Albania expressed their inability to apply sanctions against Italy. Switzerland made special reservations. Membership of the Committee was, however, left open to them.

(2) *The Times*, October 12, 1935.

- (1) The Governments of the Members of the League of Nations which are enforcing at the moment measures to prohibit or restrict the exportation, re-exportation, or transit of arms, munitions, and implements of war to Ethiopia will annul these measures immediately.
- (2) The Governments of the Members of the League of Nations will prohibit immediately the exportation, re-exportation, or transit to Italy or Italian possessions of arms, munitions, and implements of war enumerated in the attached list.
- (3) The Governments of the Members of the League of Nations will take such steps as may be necessary to secure that arms, munitions, and implements of war enumerated in the attached list, exported to countries other than Italy, will not be re-exported directly or indirectly to Italy or to Italian possessions.
- (4) The measures provided for in paragraphs 2 and 3 are to apply to contracts in process of execution.
- (5) Each Government is requested to inform the committee through the Secretary-General of the League within the shortest possible time of the measures it has taken in conformity with the above provisions."

(There followed detailed categories of arms, guns, ammunition, bombs, torpedoes and mines, implements of war, tanks, armoured cars and trains, armour of all kinds, vessels of war of all kinds, aircraft and the parts thereof, flame throwers and projectors used for chemical or incendiary warfare and certain gases.)

"*Proposal No. 2*¹. . . . The Governments of the Members of the League of Nations will forthwith take all measures necessary to render impossible the following operations :—

- (1) All loans to or for the Italian Government and all subscriptions to loans issued in Italy or elsewhere by or for the Italian Government.
- (2) All banking or other credits to or for the Italian Government and any further execution by advance, overdraft, or otherwise of existing contracts to lend directly or indirectly to the Italian Government.
- (3) All loans to or for any public authority, person, or corporation in Italian territory and all subscriptions to such loans issued in Italy or elsewhere.
- (4) All banking or other credits to or for any public authority, person, or corporation in Italian territory and any further execution by advance, overdraft, or otherwise of existing contracts to lend directly or indirectly to such authority, person, or corporation.
- (5) All issues of shares or other capital flotations for any public authority, person, or corporation in Italian territory and all subscriptions to such issues of shares or capital flotations in Italy or elsewhere.
- (6) The Governments will take all measures necessary to render impossible the transactions mentioned in paragraphs (1) to (5) whether effected directly or through intermediaries of whatsoever nationality.

The Governments are invited to put into operation at once such of the measures recommended as can be enforced without fresh legislation and to take all practicable steps to secure that the measures recommended are completely put into operation by October 31, 1935."

- "*Proposal No. 3*² (1) The Governments of the Members of the League of Nations will prohibit the importation into their territories of all goods (other than gold or silver bullion and coin) consigned from or grown, produced, or manufactured in Italy or Italian possessions, from whatever place arriving.
- (2) Goods grown or produced in Italy or Italian possessions which have been subjected to some process in another country, and goods manufactured partly in Italy or Italian possessions and partly in another country, will be considered as falling within the scope of the prohibition unless 25 per cent. or more of the value of the goods at the

(1) *The Times*, October 15, 1935.

(2) *The Times*, October 17, 1935.

time that they left the place from which they were last consigned is attributable to processes undergone since the goods last left Italy or Italian possessions.

- (3) Goods the subject of existing contracts will not be excepted from the prohibition.
- (4) Goods *en route* at the time of imposition of the prohibition will be excepted from its operation. In giving effect to this provision Governments may, for convenience of administration, fix an appropriate date having regard to the normal time necessary for transport from Italy, after which goods will become subject to the prohibition.
- (5) Personal belongings of travellers from Italy or Italian possessions may also be excepted from its operation."

" *Proposal No. 4.*¹ (1) The Governments of the Members of the League of Nations will extend the application of paragraph 2 of Proposal No. 1 of the Co-ordination Committee to the following articles as regards their exportation and re-exportation to Italy and Italian possessions, which will accordingly be prohibited:—(a) Horses, mules, donkeys, camels, and all other transport animals; (b) rubber; (c) bauxite, aluminium and alumina (aluminium oxide), iron ore, and scrap iron; chromium, manganese, nickel, titanium, tungsten, vanadium, their ores and ferro-alloys (and also ferro-molybdenum, ferro-silicon, ferro-silico-manganese, and ferro-silicon-manganese-aluminium); tin and tin ore.

List (c) above includes all crude forms of the minerals and metals mentioned and their ores, scrap, and alloys.

- (2) The Governments of the members of the League of Nations will take such steps as may be necessary to secure that the articles mentioned in paragraph (1) above exported to countries other than Italy or Italian possessions will not be re-exported directly or indirectly to Italy or to Italian possessions.
- (3) The measures provided for in paragraphs (1) and (2) above are to apply to contracts in course of execution.
- (4) Goods *en route* at the time of imposition of the prohibition will be excepted from its operation. In giving effect to this provision Governments may, for convenience of administration, fix an appropriate date, having regard to the normal time necessary for transport to Italy or Italian possessions, after which goods will become subject to the prohibition. . . ."

[The Committee of Co-ordination was to meet on October 31 to fix, in the light of the replies received from the Governments, the date of the coming into force of the measures. . . . The Committee of Eighteen was entrusted with the task of making any suitable proposals to the Governments for their application.]

*Proposal No. 5 (Summary).*² The Co-ordination Committee recommended that the Governments applying measures against Italy should: take the measures necessary to safeguard the proper working of the most-favoured-nation clause, abstain from demanding its application in the case of any privileges granted to offset any loss caused by the application of sanctions, replace imports from Italy by the import of similar products from participating States, negotiate with any participating State, which had suffered a loss of Italian markets, with a view to increasing the sale of its goods, increase imports in favour of any country suffering a loss of Italian markets, reduce the advantages accruing to States which have refused to apply sanctions 'by every appropriate means and to an equitable degree,' promote business relations between firms interested in the import of goods from or export to Italian markets, assist in the organization of the international marketing of goods to offset the loss of Italian markets. A special committee was to be set up to advise and assist States in the adoption and application of these measures.

(1) *The Times*, October 21, 1935.

(2) For full text see *The Times*, October 21, 1935.

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**RAW MATERIALS
AND
COLONIES**

THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS
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INFORMATION DEPARTMENT PAPERS.

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RAW MATERIALS AND COLONIES

INTRODUCTION.

The principal source of present unrest undoubtedly lies in the claims for change which are being put forward by the three so-called "dissatisfied" Powers—Germany, Italy and Japan. These claims rest partly on a psychological, partly on an economic basis. Prominent among them is a demand for colonial expansion. Possibly the Powers in question concentrate upon this issue because they see in it the greatest chance of success in achieving change of any kind; possibly it is because they feel that it will fulfil their chief needs—increased prestige, strategic gain, and relief from their economic plight. Undoubtedly it would help to satisfy the first two needs; the facts given in the present memorandum will enable the reader to judge whether it would satisfy the latter also, and whether it is the shortest and most effective way to that end.

Before considering the circumstances of the colonial claims of the three Powers, it is essential to clarify one's conception of the relation between a suzerain and its colony. Broadly speaking, there are two lights in which this relationship can be viewed—that of exploitation and that of trusteeship. With some colonial powers the first is the dominant consideration, with others the second. But when putting forward their claim for colonial expansion as a means to an economic end, the dissatisfied powers inevitably tend to concentrate on the exploitation motive. In that it deals with the strictly economic aspect of these claims, this memorandum is forced into the same tendency. This should not be taken to mean that the other aspect has been lost sight of or that the interests of the colonies themselves can be left out of account.

*The
background
of the claim
for colonies*

The claims of the three Powers for colonial expansion have sprung into sudden prominence within the last year. Though the economic stringency resulting from the world economic crisis is the immediate cause, the fundamental explanation must be sought over a long period, dating from the middle of the last century.

During the nineteenth century an economic system arose by which a few countries developed industrially, and provided the rest of the world with manufactures in exchange for such raw materials as their native soil did not produce. These countries were Great Britain and, later, the United States, Germany, Belgium, France and Switzerland; at the end of the century

they were followed by Russia (including present-day Poland), Austria (including present-day Czechoslovakia), Italy and Japan.

There was a simultaneous and not unconnected change in the attitude towards colonies. In 1865 a House of Commons committee had resolved "that all further extension of territory or assumption of government or new treaty offering any protection to native tribes would be inexpedient," but by the end of the century India was "the brightest jewel" in the imperial crown. This explains the international race for colonial territories which took place in the last quarter of the century, during which those who started late acquired their colonial dependencies: *Belgium*, the Congo¹; *Germany*, colonies in East and West Africa and the Pacific; the *United States*, Hawaii, the Philippines, Porto Rico and certain Pacific Islands; *Japan*, Formosa and (in 1910) Korea; and *Italy*, Eritrea and Somaliland, and (in 1911-12, by conquest from Turkey) Libya. While it would be inaccurate to say that this same expansionist motive caused the World War, such questions as that of Morocco, and later the Portuguese colonies, clearly played an important part in the prelude to it.

During the economic readjustments of the post-war years, the question of the supply of raw materials appeared in its modern shape, first as the fear of shortage and monopolistic control, then as the fear of over-supply and glut. The possession of resources grew in significance as the abnormal post-war conditions developed, almost without a break, into the "11,000 kilometres of new tariff barriers" referred to by a British delegate to the International Economic Conference of 1927.² It became more important still when the world economic crisis heightened the obstacles to international trade. The uneven distribution of resources, which had been immaterial to prosperity in the days of the free exchange of goods, grew into a vital factor as this exchange became more and more hampered and blocked.

A rather similar situation developed in regard to population outlets. In the nineteenth and early twentieth centuries, rapidly increasing populations migrated freely to all parts of the world. After the war, this outlet was restricted by immigration laws, notably in the United States and the British Dominions.

• This is the background against which the colonial claims of the three dissatisfied Powers must be considered. Clearly the problem is not merely colonial in scope; it arises equally in

(1) The Congo Free State was under the direct sovereignty of Leopold II of Belgium from 1885 until 1908, when it was formally annexed to Belgium.

(2) Mr. (now Sir) Walter Layton. Minutes of the Sixth Plenary Meeting, May 6, 1927.

connection with resources and population outlets situated within the home frontiers of sovereign States. But since colonial claims are being put forward by the dissatisfied Powers, this memorandum is written with special reference to the colonial side of the question.

The German Claim

In the case of Germany the psychological appeal outweighs the economic, for it is stimulated by a sense of outrage at the humiliation and injustice of the Versailles settlement :

“ The colonial demand is comprised for us to-day in two words ; bread and honour. Germany . . . demands for her own that which rightly belongs to her before God and man.”¹

Economically, it is argued that colonial expansion will mitigate two primary difficulties from which the Reich is suffering—lack of raw materials for its industries, and of outlets for its growing population.

The lack of raw materials would appear to be more important than the migration issue. Up till 1885 the Germans migrated in large numbers ; they were second only to the British in the rate at which they left Europe.² But from that date onwards direct action was taken by the Government³ and the number of migrants grew steadily less ; the population continued to increase⁴ but the home-country absorbed the increase by industrialisation—a solution of which there was everyday evidence in the familiar “ Made in Germany ” trade mark before the war. The absorption in industry was such that the German colonies, two at least of which—South-West and German East Africa—were in parts suited to white settlement, were scarcely used for the

(1) Speech by General von Epp, Governor of Bavaria, to the Reich Colonial League. Freiburg, June 17, 1935. *The Times*, June 19, 1935.

(2) Percentage British, Germans, and Italians in total emigration from Europe to all destinations :—

	<i>British.</i>	<i>German.</i>	<i>Italian.</i>
	%	%	%
1851-1860	64.5	23.2	—
1861-1870	56.5	21.8	4.5
1871-1880	51.1	18.6	8.2
1881-1890	35.0	18.7	13.2
1891-1900	26.1	7.5	24.0
1900-1910	23.1	2.3	29.7
1911-1915	26.7	1.2	23.2.

Figures calculated from Ferenczi, *International Migrations*, p. 188.

(3) e.g. Bismarck's colonisation law for the Polish areas in Prussia.

(4) Total population of the Reich : million.

1870	40.8	1910	64.5
1880	45.1	1920*	61.7
1890	49.2	1930	65.0
1900	56.0	1935	66.6

Figures from *Statistisches Jahrbuch*, 1935.

Less the territories cut off by the peace settlement.

purpose, for the German population in all German colonies amounted to 20,000 only before the war.¹

In these conditions the importance of certain access to raw material supplies is obvious. The extent of Germany's resources, and the obstacles which hamper her purchases from abroad are dealt with in detail later. For the present, it is sufficient to note that existing deficiencies and barriers are used as a basis for the argument that :

" If we fail to obtain through larger exports² the larger imports of foreign raw materials required for our greatly increased domestic employment, then two courses only are open to us, increased home production or the demand for a share in districts from which we can get our raw materials ourselves."³

The Italian Claim

In the case of Italy, the facts are similar but the emphasis is different, for the migration problem for years took precedence over that of raw materials.

The earliest cause of trouble lay in the foreign immigration acts. Pre-war Italy was preponderantly an agricultural country and therefore could not, or at least did not, carry a population increasing at the prevailing rate.⁴ Her colonies were all climatically unsuited to white settlement, and in the nineteenth and early twentieth centuries her population sought outlets more suited to its health and temperament. Of the yearly average of 627,000 emigrants who left Italian soil between 1901 and 1913, some 40 per cent. stayed in Europe, 60 per cent. went overseas ;

(1) Divided as follows :—	
Togo	327
Cameroons	1,111
South-West Africa	11,140
German East Africa	3,113
Kiau-chau	3,806
Pacific Islands	1,511
	20,008

Figures from *Statesman's Year Book* for 1913.

(2) For Germany's Balance of Payments, see Appendix I.

(3) Speech by Count Schwerin von Krosigk, Minister of Finance, at Frankfurt, November 9, 1935. *Frankfurter Zeitung*, November 10, 1935.

(4) Total Population :—

	<i>Million</i>
1891	30·6
1901	32·5
1911	34·7
1921 (old frontier)	36·4
1921 (new frontier)	37·9
1931	41·1
1935	42·8

Source : *Annuario Statistico Italiano*, 1935.

nearly three million went to the United States alone. But when the difficulties of the post-war years introduced population-planning in country after country, this safety-valve was closed by foreign immigration restrictions, in particular by the United States quota laws of 1921 and 1924.¹ After 1924, repatriation from the United States every year exceeded emigration except in the two boom years 1928 and 1929, and the congestion at home was aggravated by the reflux of needy Italians from elsewhere.

Fascism tried to plan its way out of the dilemma by industrialisation, but success was hampered by the world crisis, which not only frustrated this development but also seriously reduced the tourist traffic and emigrant remittances which had previously been important sources of foreign exchange.² In these circumstances it is easy to develop the case for colonial expansion: "Italy will not resign herself to the abused commonplace that she is poor in raw materials. It must be said instead that she does not possess certain raw materials. This is a fundamental reason for her colonial demands."³

National emotions are still more deeply stirred when to these economic arguments is added that regarding the broken promises of the allies:

"Italy went to the Paris peace negotiations with over 600,000 dead to her account, and with two treaties bearing the signatures of Great Britain and France—the Treaty of London and the Treaty of St. Jean de Maurienne—under which she was promised, in case of an allied victory, colonial outlets for her expanding population and possibilities for satisfying the growing needs of raw materials of her rapidly developing industries. At Paris her claims under both these treaties were set aside. As a result of the distribution of mandates over ex-enemy possessions in Africa only, Great Britain was assigned 1,849,203 sq. kilometres of land with 7,079,000 inhabitants, France 1,879,706 sq. kilometres with 2,297,000 inhabitants, Belgium 59,000 sq. kilometres with 3,000,000 inhabitants, Italy, with the stretch of desert between the oases of Gat and Gadames ceded by France and trans-Jubaland ceded by England, acquired 80,000 sq. kilometres, mostly desert or fever-ridden as is shown by the fact that the total population did not exceed 70,000.

So much for the way in which the allies honoured their treaty obligations to Italy."⁴

(1) The first restricted the number of aliens admitted annually from each country to 3 per cent. of persons of such nationality resident in the United States in 1910; the second to 2 per cent. of the 1890 figure.

(2) For the Italian Balance of Payments see Appendix I.

(3) Signor Mussolini to the second National Assembly of Corporations, March 23, 1936.

(4) *Business and Financial Report of the Fascist Confederation of Industrialists*, Monthly Survey, December 1, 1935.

The Japanese case is rather different from the other two because the problem is not so much one of the present as of the future, maturing within, perhaps, the next fifteen years. For the yen, unlike the mark and the lira, went off gold and depreciated heavily in 1931-32, and on the basis of comparative costs there should be no limit to the expansion of Japanese exports. It is tariffs and quotas which impose the limit. But though the door has been closed to Japan in many parts of the world, the threatening stranglehold has till now been avoided by a transfer to new markets, notably in South America and the Middle East. But there too the door may close in time ; if so, the situation will become more serious, for, as a glance at the Japanese balance of payments shows,¹ maintenance of the export trade is the only means by which Japan can hope to purchase the raw materials needed to keep her factories at work.

The problem of the future is aggravated by the knowledge that the population is increasing at the moment by nearly one million per year, and that, though the rate of increase has begun to fall, it is unlikely to become stationary before 1970, by which time the present 68 millions (1935) will have risen to between eighty and ninety millions.²

Judging by past experience, emigration will provide little or no solution. Though the Japanese have doubled in numbers since the Restoration of 1868,³ the population has scarcely turned to emigration as an outlet. Some attribute this to constitutional unfittedness and unwillingness on the part of the race, others to the foreign laws designed to restrict oriental immigration. The Japanese are stung by the insult implied in such laws ; there was proof of this when, on the announcement in 1924 that the United States had cancelled the Gentlemen's Agreement and had bracketed the Japanese with Chinese by including them in the Oriental Exclusion chapter of the Immigration (Restriction) Act, two Japanese committed suicide on the steps of the American Embassy in Tokyo. But Japan, however insulted, has been able to ignore the check, because in

(1) See Appendix I.

(2) For this and other less conservative estimates, see T. Uyeda : *Future of the Japanese Population*. Japanese Council of the Institute of Pacific Relations, 1933.

(3) Total population :

Estimate immediately before the Restoration of 1868 :	30 million.
Census 1920	55.9
1925	59.7
1930	64.0

Source : *Japan-Manchukuo Year Book*, 1936.

the interests of becoming a great and westernised Power, she has since the eighteen-seventies and eighties been engaged upon rapid industrialisation.¹ These industries must be kept busy. In consequence, as well as agreements on the division of markets, freer trade, emigration questions and other "mutually advantageous economic arrangements," Japan feels that she will have to demand some "readjustment of the distribution of natural resources."²

*Reasons for
a claim by
three Powers
only*

It may well be asked why these three countries in particular have become colony-conscious.³ Switzerland or Czechoslovakia would appear to be in the same position, yet do not complain of being seriously handicapped by the lack of overseas resources. Belgium, the most densely populated country in Europe, obtains few essentials from her one dependency, the Congo, nor is it an important market for her exports nor yet a safety valve for her population.⁴ One section of this memorandum⁵ provides some facts which may help the reader to judge whether this difference of attitude is due to sounder economic policy, or simply to the fact that the world is more likely to pay attention to the complaints of a great than of a small Power.

Undoubtedly a great or a nearly-great Power has more interest than has a small one in considerations of prestige, psychology, and strategy. Indeed, the strategic motive is more important than it used to be now that a distinction has come to be drawn between economic and military sanctions, for if economic sanctions alone are applied, the aggressor is not cut off from his colonial resources and the strategic advantage of colonial possessions, even without sea power, is self-evident.

But it is not possible within the limits of this short memorandum to cover these last aspects of the question. Discussion of considerations such as pride in the flag, the right to trusteeship for backward races, the desirability of providing colonial administration as an outlet for enterprising youth and the whole strategic question from black armies to sea-power and the control of colonial communications must be left until some other time

(1) For a brief history of this see *Eastern Industrialisation and Its Effect on the West*, by G. E. Hubbard and Denzil Baring, Oxford University Press, 1935. Chapter II.

(2) *Nichi Nichi* on the policy of Mr. Hirota's new Government, quoted in the *Evening Standard*, March 10, 1936.

(3) There have been signs that Poland is beginning to think in terms of colonial expansion. See *Times*, September 24, 1935, and an article in the *Völkischer Beobachter* on the common colonial needs of Germany and Poland, quoted in *Daily Telegraph*, February 17, 1936.

(4) The Congo takes only 1 per cent. of Belgium's exports and supports a Belgian white population of only 11,423 (1934).

(5) See below, pp. 35-6.

and place. During this and all other surveys of the economic aspects, however, their importance must not be lost to mind in view of their wide popular appeal.

*The reaction
of the colonial
Powers*

The colonial Powers are not blind to the prevailing discontent, which has been brought into the limelight by the Italian policy of expansion in Abyssinia. One of them—Great Britain—has made an official pronouncement on the subject, in the statement by Sir Samuel Hoare to the League Assembly on September 11th, 1935 :—

“ The fact remains that some countries, whether in their native soil or in their colonial territories, do possess what appear to be preponderant advantages, and that others, less favoured, view the situation with anxiety. Especially as regards colonial raw materials it is not unnatural that such a state of affairs should give rise to fear lest exclusive monopolies be set up at the expense of those countries that do not possess colonial empires. . . . The view of His Majesty’s Government is that the problem is economic rather than political and territorial. It is the fear of monopoly—of the withholding of essential colonial raw materials—that is causing alarm. It is the desire for a guarantee that the distribution of raw materials will not be unfairly impeded that is stimulating the demand for further enquiry. . . . I suggest that emphasis in the terms of reference should fall upon free distribution of such raw materials from colonial areas, including protectorates and mandated territories, among the industrial countries which require them, so that all fear of exclusion or monopoly may be removed once and for all. The Government that I represent will, I know, be prepared to take their share in any collective attempt to deal in a fair and effective way with a problem that is certainly troubling many people at present and may trouble them even more in the future.”

*Scope of the
present study*

From this statement it appears that, in considering the question of peaceful change, a likely starting point is the raw materials issue. The present memorandum therefore concentrates on this side of the problem of expansion, and sets out the facts without which it is impossible to assess the value of any changes contemplated.

Though primarily concerned with “ colonial raw materials ” the memorandum cannot be confined to them, for no important raw materials, except rubber, are even preponderantly produced in colonial territories. It therefore covers the production of the more important raw materials in all parts of the world.

Part I deals with production in general and shows what part the existing colonial areas play in providing the world’s supplies. It is intended to enable the reader to judge whether purely colonial adjustments could open up resources adequate for the needs of the dissatisfied Powers, or whether the gesture would prove to be merely of psychological value.

Part II describes the present and potential barriers to access. Some of these are directly due to the policy of the colonial Powers,

notably discriminatory export duties, discrimination in the granting of concessions, and producers' restriction schemes ; others are indirect, in particular the stagnation of international trade which has led to the shortage of foreign exchange. A comparison of the relative importance of the direct and indirect barriers shows how far a change in present colonial policies could allay the prevailing dissatisfaction.

In the interests of compactness, the writers took an original decision to exclude foodstuffs and tobacco, on the grounds (i) that the dissatisfied Powers themselves give industrial raw materials first place ; (ii) that they are the class of imports which has increased and must continue to increase rapidly as these countries become still more highly industrialised ; and (iii) that they bulk very much larger than victuals in the imports of Germany, Italy and Japan. (The last named imports only 7 per cent. of her foodstuffs ; Italy is in good harvest years virtually self-sufficing if need be,¹ and Germany, under pressure of war necessity, can for a considerable period do without imported foodstuffs, though, as the experience of 1915-1919 showed, only at the expense of the health of the population.)² Also for reasons of space it was at first decided only to survey the self-sufficiency position of the Great Powers. But after due consideration it was felt that some mention of the foodstuff situation and of the position of certain other non-colonial States should be included, chiefly in order to ward against the criticism that the industrial raw material situation of Germany, Italy and Japan, taken alone, throws into undue relief grievances which are in many cases offset when viewed in their proper perspective.

One important economic claim—that colonial adjustments would solve the population problems of the three Powers—is not discussed, since it is being fully dealt with elsewhere.³ But the population problem bears so close a relation to that of raw materials that a summary of the position cannot be omitted.

The non-self-governing areas in the world to-day are almost all in the tropics, and experience shows that tropical settlement provides a very limited outlet and in any case is not a suitable way of dealing with Europe's surplus population. The instance of Germany and her pre-war colonies has already

(1) See the *Economic and Financial Position of Italy*, R.I.I.A. Information Department Papers, No. 15, 1935.

(2) For a full survey of the position in each of the three countries see *Boycotts and Peace*, edited by Evans Clark. Harper Bros., 1932 ; Chapters XV, XVI and XVII on the food dependency of Japan, Italy and Germany.

(3) *World Population*, by Professor Carr-Saunders. To be issued under the auspices of the Royal Institute of International Affairs, Oxford University Press, 1936.

been cited ; so has that of Belgium and the Congo. The white population settled in all the colonies of tropical Africa over the last twenty-five years does not amount to as much as the increase of Italian population in a single recent year. In fact, the only lands which could offer suitable space and climate for European immigrants are all sovereign States or self-governing territories, which, suffering from unemployment and the world depression, have closed their doors to newcomers. This applies to such countries as the United States, Brazil, Argentina, Canada and Australia. Regarding the two last, it should be remembered that the immigration policies of the British Dominions are in no way subject to control by His Majesty's Government in the United Kingdom.¹

Nations faced with the problem of rapidly expanding populations have solved it otherwise than by emigration—by industrialisation of the home country. Athens did so and according to Professor Toynbee "this was what Pericles meant when, in the crisis of his country's material fortunes, he claimed that she was 'the Education of Hellas.'"² Great Britain did so too and now supports a population of nearly 45 millions as opposed to some 13 millions only in 1801. Germany has done likewise. Moreover, the density figures of some of the chief industrial countries go to show how impossible it is to determine a saturation point :—

	<i>Population per square mile</i>	<i>Population per square mile of arable land</i>
Belgium	702	1,793
Netherlands	627	2,233
Great Britain	468 (England alone : 742)	596
Japan proper	437	2,418
Germany	366	578
Italy	358	477
France	192	294
United States	36	100

Sir Arthur Salter has observed that "there is no such thing as a surplus population anywhere in the world, except one that is relative to and caused by the existing commercial and economic system. There is no reason why a country should not develop a population as thick upon the ground as in a highly industrialised area and still maintain itself *if it could draw freely upon the resources of the rest of the world.*"³

In the circumstances of the world of to-day, these last words constitute the crux of the whole problem of expansion.

(1) See below, p. 15.

(2) *Study of History*, Vol. I, p. 25.

(3) *Peace and the Colonial Problem*, National Peace Council, 1935, p. 8.

PART I. WORLD PRODUCTION AND COLONIAL PRODUCTION OF RAW MATERIALS

I. THE COLONIAL AND MANDATED AREAS.

This enquiry, while dealing with world production in general, is particularly concerned with the non-self governing areas of the world—that is to say with the colonies, protectorates and mandated territories of Great Britain, France, the Netherlands, Belgium, Portugal, Spain, Italy, Japan, the United States of America, South Africa, Australia and New Zealand. The British Dominions are clearly excluded from consideration, except in so far as they themselves control mandated territories. Naturally their partnership in the British Commonwealth of Nations makes the valuable resources of the Dominions at least of strategic significance to Great Britain.¹ But the fact remains that they are “autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown and freely associated as members of the British Commonwealth of Nations.”² This independence was recognised in their separate membership of the League of Nations and the position was regularised in the Statute of Westminster of 1931.

Manchukuo must similarly be omitted, on more theoretical grounds. For the rest, the real criterion in drawing the distinction between colonial and other territories must be whether ultimate decisions on economic policy are taken by the home or the local government.* Thus India is excluded by her tariff autonomy since the war, quite apart from her membership of the League and other considerations. Ceylon is a border-line case; but the fact that the local Legislative Council's opposition to the imposition of anti-Japanese textile quotas in 1934 was over-ruled by Whitehall marks her out as still fundamentally a “colony.” Southern Rhodesia, on the other hand, is in the rather special position of a “self-governing colony” with all but dominion status, and is excluded. So are the Philippine Islands, which are at a transitional stage, but well on their way to independence.

(1) See below, p. 30.

(2) *Report of the Inter-Imperial Relations Committee* (Balfour Report) of the Imperial Conference, 1926. The “communities” in question are Canada, Australia, New Zealand, South Africa, Irish Free State, Newfoundland.

(3) Cf. Sir Arthur Salter at the National Peace Council Conference on *Peace and the Colonial Problem*, October 29, 1935.

In the list which follows the mandated territories are distinguished as such and classified according to their A, B, or C status¹ :

GREAT BRITAIN—(a) *East Africa*.—Kenya Colony and Protectorate, Uganda Protectorate, Northern Rhodesia, Nyasaland Protectorate, Somaliland Protectorate, Zanzibar, Anglo-Egyptian Sudan (Anglo-Egyptian Condominium), Tanganyika (B mandate), Mauritius, Seychelles Islands.

(b) *South Africa—High Commission Territories*.—Basutoland, Bechuanaland Protectorate, Swaziland.

(c) *West Africa*.—Gambia, Gold Coast, Nigeria, Sierra Leone, St. Helena, Ascension Island, part of Togoland (B mandate), part of Cameroons (B mandate).

(d) *Eastern Dependencies*.—Ceylon, Hong Kong, Malaya (Straits Settlements, Federated Malay States, Unfederated Malay States), Borneo Dependencies (Brunei, North Borneo, Sarawak), Aden, Perim, Socotra, and certain islands in the Indian Ocean.

(e) *Mediterranean*.—Cyprus, Gibraltar, Malta, Palestine (A mandate), Transjordan (A mandate).

(f) *West Indies and America*.—Bahamas, Barbados, Bermuda, British Guiana, British Honduras, Jamaica, Turks and Caicos Islands, Cayman Islands, Leeward Islands, Trinidad and Tobago, Windward Islands (Grenada, St. Lucia, St. Vincent), Falkland Islands.

(g) *Pacific*.—Fiji, Territories of the Western Pacific High Commission [Gilbert and Ellice Islands Colony, British Solomon Islands Protectorate, Tonga, New Hebrides (Anglo-French Condominium)], and certain small island dependencies.

FRANCE—(a) *North Africa*.—Algeria (the three northern departments are constitutionally part of France), Tunis (protectorate), French Morocco (protectorate).

(b) *West Africa*.—Senegal, French Guinea, Ivory Coast, Dahomey, French Sudan, Mauritania, Niger, Dakar.

(c) *African Mandates*.—Part of Togoland (B mandate), part of Cameroons (B mandate).

(d) *Equatorial Africa*.—Gaboon, Middle Congo, Ubangi-Chad.

(e) *East Africa*.—Somaliland, Madagascar, Reunion Islands.

(f) *Mediterranean*.—Syria, Lebanon (A mandates).

(g) *Eastern Dependencies*.—Indo-China, French India.

(h) *West Indies and America*.—French Guiana, Guadeloupe, Martinique, St. Pierre and Miquelon Islands.

(i) *Pacific*.—New Caledonia, New Hebrides (Anglo-French Condominium), Society Islands, and other small island dependencies.

NETHERLANDS.—Netherlands East Indies (Sumatra, Java, Borneo, New Guinea, etc.), Netherlands West Indies (Surinam [Dutch Guiana] and Curaçao).

BELGIUM.—Belgian Congo, Ruanda-Urundi (B mandate).

PORTUGAL.—Angola (Portuguese West Africa), Mozambique (Portuguese East Africa), Portuguese Guinea, São Thomé and Príncipe, Madeira, Azores, Cape Verde Islands, Goa, East Timor, Macão.

(1) For the economic significance of these differences, see below, pp. 37-8.

ITALY.—Tripoli and Cyrenaica, Eritrea, Italian Somaliland, Dodecanese Islands.

SPAIN.—Canary Islands, Melilla and Ceuta (all constitutionally part of Spain), Spanish Morocco (Protectorate), Rio d'Oro, Ifni, Fernando Po, Spanish Guinea.

JAPAN.—Korea, Formosa, Pescadores Islands, Sakhalin (southern half), various Pacific Islands (C mandate).

U.S.A.—Hawaii (constitutionally part of U.S.A.), Porto Rico, Virgin Islands, Guam, American Samoa, Aleutian Islands.

SOUTH AFRICA.—South-West Africa (C mandate).

AUSTRALIA.—Papua; New Guinea and Nauru¹ (C mandates).

NEW ZEALAND.—Western Samoa (C mandate) and certain small Pacific island dependencies.

2. WHAT ARE THE ESSENTIAL INDUSTRIAL RAW MATERIALS ?²

The "colonial areas" can thus be quite easily enumerated. But the specifically "colonial raw materials" are far more difficult to define. For apart from rubber and possibly tin³ there are no important raw materials which are even preponderantly produced in colonial areas. Copra and palm oil are, it is true, almost exclusively colonial materials. But they are so largely interchangeable with other vegetable oils—notably American cotton-seed oil and Indian groundnuts—that the different oils cannot legitimately be considered separately.

It seems best, therefore, abandoning any attempt to confine the enquiry specifically to the products of colonial areas, first to decide what are the essential raw materials of industry, and then to see where these are produced and how far they are or could be supplied from colonial areas.

"The basic materials of modern industrialism," as Dr. Goebbels recently observed, "are coal, iron, oil, cotton, rubber . . . and copper."⁴ Beyond this, the process of selection is bound to be somewhat arbitrary; but four main classes may be distinguished: (1) the metals; (2) the non-metallic minerals; (3) rubber and the textile fibres; and (4) the vegetable oils.

Metals

Of the metals, *iron* stands out as far and away the most important. The whole economic life of industrialised countries depends upon adequate and abundant supplies, whether in the form of iron ore, pig iron, cast iron, wrought iron, or steel. Of the many uses of iron, perhaps the chief are in railways, steel structures, machinery, motor cars, and the petroleum industry.

(1) Nauru is a British Empire Mandate, administered by Australia.

(2) The Information Department is indebted to the Imperial Institute for assistance in this and other sections of Part I.

(3) See tables facing pp. 22 and 26 below.

(4) At the Leipzig Fair, *Völkischer Beobachter*, March 2, 1936.

The main non-ferrous metals, copper, lead, zinc, tin and aluminium, cannot be compared with iron, but are nevertheless of fundamental importance. *Copper* is of particular value, thanks to its high conductivity and the ease with which it can be worked. The main demand comes from the electrical industries, but large quantities are also used in printing-plates and cooking-vessels, and a considerable amount in motor-cars and machinery. *Lead*, being malleable, is of great value in foil, sheeting and piping, and is also required for electrical purposes (e.g. storage batteries) and for ammunition. More than half the supplies of commercial *zinc* or *spelter* are used in the manufacture of galvanised iron—iron sheets covered with a thin coat to prevent rusting. *Tin* goes chiefly into tin-plate, thin steel sheets coated with a film of tin, and used for packing foodstuffs; tin-foil and distillery pipes require pure tin. *Aluminium* (obtained from *bauxite*) is the lightest of the common metals and is used for cooking utensils, internal combustion engines and a variety of other purposes. Apart from their separate uses, these five metals form valuable alloys in conjunction with each other or with other metals. Of these alloys the best known are bronze, a combination of copper and tin, and brass, the joint product of copper and zinc; aluminium alloys, such as duralumin, possess good mechanical strength and are used in aircraft and automobile construction.

Another group of metals, including notably manganese, nickel, chromium, tungsten, vanadium, and molybdenum are primarily important in the manufacture of special steels, which are particularly required by the motor-car industry. Indeed, *manganese* is essential to the production of most steels. *Nickel* steels are particularly resistant to corrosion; their military value is well-known, but the industrial demand is also considerable, notably for motor-cars. *Chromium* is used in the manufacture of steel safes and armour plates and also for stainless steels. *Tungsten* has the exceptional quality of remaining hard at very high temperatures; tungsten steels are particularly valuable for high-speed machine tools and magnets. But though these metals are chiefly required for the manufacture of special steels (something like 95 per cent. of the world's manganese being used in steel-making), they have other valuable qualities. Thus tungsten is used as a filament in electric light bulbs, whilst such metals as *vanadium* and *molybdenum* are used in the chemical as well as the steel industries.

Two other metals demand attention: *Mercury* (*quicksilver*) has the unique quality amongst metals of remaining liquid at normal temperatures. It is much used in scientific instruments,

and for making soft, easily-fused, amalgams with other metals. *Antimony* is another valuable constituent of alloys, particularly for bearing and type metals.

*Precious
Metals*

Gold, silver, and platinum are in a special position. Each has certain industrial uses—particularly platinum, which is of great value for electrical filaments. But their main importance lies in their intrinsic value as precious metals. Strictly speaking, therefore, they should be omitted from a survey of the industrial materials. On the other hand the beneficial effects of these precious metals on the foreign exchange position of the countries which produce them is so obvious that it seems foolish to omit them in discussing a problem which turns largely on the foreign exchange difficulties.

*Non-metallic
minerals*

Of the non-metallic minerals, coal and petroleum are outstanding. *Coal* is clearly of quite fundamental importance. Yet the use of the internal combustion engine on the roads, in the air and on the sea has advanced so rapidly that *petroleum* is already almost as important as coal. The only source of power which rivals these two fuels is electricity—and except where abundant water-power is available, electric power is itself derived from them. *Magnesite* is chiefly used as a basic lining for steel and copper smelting furnaces. It is also a structural material, and where lightness is required, is coming to be substituted for steel. *Asbestos* combines the valuable qualities of flexibility and non-inflammability. It is therefore indispensable for fireproof walls and curtains; but its chief use is as packing for steam cylinders and boiler pipes. *Graphite* is of great value for crucibles and lubricants. Finally there are the main chemical materials—nitrates, potash, phosphates, and sulphur. *Nitrates, potash and phosphates* are chiefly used as fertilisers, though nitrates are also needed for high explosives. Sulphuric acid, derived either from native *sulphur* or from *iron pyrites*, has numerous industrial uses such as dyeing, bleaching and the manufacture of soda.

Rubber

The immense expansion in the demand for *rubber* comes almost entirely from the motor-car industry. Over a third of the world's rubber is used in American motor-tyres.

*Textile
fibres*

Of the textile materials *cotton*, and to a much lesser extent, *wool*, are the most important. Indeed cotton bulks larger than any other item in international trade; for instance, raw cotton accounts for no less than 32 per cent. of the total value of Japan's imports. *Silk* is another important material, but it is rapidly being displaced by *rayon*, or "artificial silk," which is manufactured from wood-pulp, saw-dust, or cotton-waste. *Flax* is

mainly important for the production of linen, though it is also used in twine and canvas. Finally, an important group are the coarser fibres, of which the chief are jute, hemp, manila hemp, and sisal. Though these materials are to some extent interchangeable, each has special qualities. Thus *jute* is cheaper than *hemp*, but less durable; besides sacking and cloth, it is used in carpets and rugs, linoleum and tarpaulin. *Hemp* and *manila hemp* are used for cordage; both resist sea-water, but as manila hemp is cheaper, it is now the chief material employed in ships' ropes. *Sisal* is as strong as manila hemp, but sisal ropes swell more than manila ropes and are therefore less suitable for certain marine purposes. Sisal is, in fact, used chiefly for binder-twine.

Vegetable oils

In recent years vegetable oils have for numerous purposes been substituted for animal fats on a large scale. In some degree they are irrelevant to this enquiry, for they are largely used in the manufacture of certain foodstuffs, particularly margarine, lard, and animal fodder. But their industrial uses are of equal importance, notably in the manufacture of soaps, lubricants, candles, paints and varnishes.

The vegetable oils are derived from a very varied collection of seeds and nuts, of which the most important are *cotton seed*, *soya beans*, *groundnuts* (or *peanuts*), *coconuts* (the oil being crushed from the *copra*, or dried kernel), *oil palm* (*palm* and *palm-kernel oils*), *sesame*, *rapeseed* (one variety of which is *colza*), *castor seed*, and *linseed*. To a certain extent these different oils have special qualities, which render them suitable for specific purposes. Thus *linseed oil* dries to a smooth, hard surface, and is therefore used for paints and varnishes; *castor-oil* is non-drying and therefore suitable as a lubricant, and so on. But the oils in each class are completely interchangeable and compete directly in the same markets.

Timber

Timber is not only required in large quantities by the constructional industries, but is also the basis of paper and artificial silk.

This brief survey shows that every one of the materials enumerated fulfils a vitally important function in an industrialised State. Indeed it would at first sight seem that where domestic supplies are inadequate, freedom of access to foreign supplies is quite indispensable. This is in the main true, but two important qualifications should be borne in mind—the possibilities of substitution and of synthetic production. The comparative interchangeability of the vegetable oils, and also of the coarser textile fibres has already been mentioned. Coal, oil and electricity are

to some extent alternative fuels. Aluminium is also an adaptable material, and in recent years has been substituted on a considerable scale for copper (particularly in Germany) and for tin.

So far as synthetic production is concerned, nitrates provide the obvious example. Before the War all countries depended on Chilean supplies; but to-day nine-tenths of the world demand is met by synthetic nitrates. Another development of immense potential significance is the production of oil from coal; the leading countries in this respect are Germany, the United Kingdom, and France. In Germany, according to Herr Hitler, "the problem of German fuel supplies, the outstanding importance of which can be appreciated at the present time, may be regarded as overcome. The way to German fuel is free."¹ But in the case of Great Britain "it would be absurd to imagine that the country is yet, or likely to be in the near future, in a position to produce all its oil requirements from its coal resources."² Italy, it may be noted, "possessing no coal deposits of her own, has not . . . undertaken any developments in these directions."³ In common with certain other European countries, Italy supplies a very small proportion of her fuel needs with alcohol extracted from agricultural products. But this is an expensive process offering no such possibilities as the production of oil from coal. Synthetic rubber is rapidly improving in competitive qualities, but despite Herr Hitler's assertions that it "exceeds raw rubber in durability by from 10 to 30 per cent.,"⁴ its production is not as yet a commercial proposition. Recently much was made in the Italian press of the production of "wool" from milk, but apparently the new product has serious technical defects.⁵

3. WORLD SOURCES OF SUPPLY.

Where are these essential raw materials produced, and how important is the colonial production?

These questions can only be answered by studying in detail the share of every country in the world production of each material. These shares are shown in the four tables in Appendix V. The figures cannot be more than approximately correct,

(1) Speech at the opening of the Reich Motor Show, *The Times*, February 17, 1936.

(2) *The Times*, City Notes, March 19, 1936.

(3) *Dispute between Ethiopia and Italy: Report of the League Committee of Experts regarding Petroleum and its derivatives*. British White Paper, Cmd. 5094, February, 1936, page 22.

(4) Speech at the opening of the Reich Motor Show, *The Times*, February 17, 1936.

(5) Report of investigations by the Wool Industries Research Association, at Tarringdon, Leeds. *The Times*, February 25, 1936.

since the statistics for Chinese and Russian production, in particular, are frequently no more than rough estimates. Further, it has occasionally been necessary to use figures for differing years, or to take the export rather than the production total. It would, of course, have been possible to exclude China and the U.S.S.R. altogether from the calculation, but it seemed more valuable to secure a general picture of world production rather than to aim at complete accuracy within a more limited field.

The tables show the average volume of production in 1925-9, and also production in the latest year for which adequate figures are available—usually 1934. 1925-9 represents the nearest approach in recent years to a period of normal prosperity; it was also the period during which the output of many raw materials reached its peak. But the figures for a recent year must also be considered, since in several cases there have been notable changes since 1925-9 in the relative importance of the various producing countries. The most important material affected in this way is copper (where the United States has lost ground seriously to Northern Rhodesia), but there have been still more striking changes in the cases of manganese (U.S.S.R. displacing India), chrome-ore (U.S.S.R. displacing Southern Rhodesia) and platinum (Canada displacing U.S.S.R.). The expansion in Russian iron and gold production is also important.

Clearly, however, even the figures of present-day production frequently afford little indication of the potential volume of production. High costs of production, transport difficulties, or the fact that abundant supplies are available nearer home, often hinder the development even of known resources. This applies perhaps particularly to such materials as coal and iron, which occur in so many parts of the world that the colonial resources, for instance, have been very little exploited. In other cases resources may simply not yet have been discovered. Again, the fact that a country is a large producer at the moment must hasten the exhaustion of its reserves. Thus, although the United States at present produces 60 per cent. of the world's petroleum as against 5 per cent. coming from the British Empire, Iran and Iraq, it has been estimated that the reserves respectively amount to about 14 per cent. and over 16 per cent. of the world total¹. In short, the 1934 production figures may be no guide at all to the figures of 1950 or even of 1940.

The table opposite includes every country producing over 10 per cent. of the world supply of the important raw materials.

(1) Supplement to "Raw Materials and Foodstuffs in the Commercial Policy of Nations," in the *Annals of the American Academy of Political Science*, March, 1924, page 168.

LEADING PRODUCERS OF RAW MATERIALS

(This list shows the percentage of the world supply produced by any country accounting for more than 10 per cent. of the whole in the latest year for which figures are available. See Appendix V.)

	All Colonial Areas.	Individual States and Territories.							
		1		2		3		4	
	%		%		%		%		%
IRON ORE	3.4	France	27	U.S.A.	21	U.S.S.R.	18	Northern Rhodesia ...	12
COPPER ¹	21.3	Chile	20	U.S.A.	16	Canada	13	Canada	12
LEAD ¹	0.4	U.S.A.	19	Australia... ..	17	Mexico	12		
ZINC ¹	1.5	U.S.A.	28	Canada	10	Australia... ..	10		
TIN ¹	56.9	Malaya	31	Bolivia	19	Netherlands East Indies	17		
BAUXITE	13.1	France	42	U.S.A.	13	Italy	10		
MANGANESE ORE ...	13.7	U.S.S.R.	61	India	14	Gold Coast	12		
NICKEL	9.0	Canada	84	Turkey	18	New Caledonia	12		
CHROME ORE	12.3	U.S.S.R.	28	India	23	U.S.A.	13	Malaya	11
TUNGSTEN ORE ...	15.6	China	33	South-West Africa ... ?		Northern Rhodesia ... ?			
MOLYBDENUM	?	U.S.A.	?	Mexico	10	Bolivia	10		
VANADIUM	?	Peru	?	Italy	32	U.S.A.	17		
ANTIMONY ¹	0.7	China	65	Canada	13	U.S.S.R.	11	U.S.A.	10
MERCURY	nil	Spain	35	U.S.A.	14	Colombia	14		
		South Africa	47	U.S.S.R.	24	Germany (including Saar)	12		
GOLD	6.4	Mexico	41	United Kingdom	20	Venezuela	10		
SILVER	1.3	Canada	50	U.S.A.	12				
PLATINUM	0.1	U.S.A.	34	U.S.S.R.	27	Germany... ..	16	Ceylon	10
		U.S.A.	59	Austria	16	U.S.A.	11		
COAL	0.3	Canada	56	Austria	19	U.S.S.R.	12		
PETROLEUM	3.7	Korea	28	France	19	Norway	13		
		U.S.S.R.	42	Tunis	22				
ASBESTOS	0.5	Germany... ..	59	Italy	20				
GRAPHITE	46.0	U.S.A.	29	Japan	13				
MAGNESITE	nil	U.S.A.	72	Netherlands East Indies	37				
		Spain	33	India	16				
POTASH	0.7	Malaya	46	U.S.A.	12				
PHOSPHATES	52.0	U.S.A.	49	India	18				
SULPHUR	0.6	Australia... ..	27	U.S.A.	12				
PYRITES	3.4	India	99	Italy	18				
		U.S.S.R.	47	Mexico	?				
RUBBER	96.1	U.S.S.R.	77	Netherlands East Indies	?				
		Japan	78	China	10				
COTTON	2.5	Tanganyika	?	Argentina	10				
WOOL	2.3	Philippines	99						
JUTE	0.3	U.S.A.	44						
HEMP	6.2	Manchuria	77						
FLAX	nil	India	55						
SILK... ..	3.1	India	55						
SISAL	?	Philippines	34						
MANILA HEMP	nil	Spain	32						
		Nigeria	43						
COTTON SEED	2.6	India	74						
SOYA	11.4	India	84						
GROUNDNUTS	28.5	Argentina	49						
COPRA	64.4	U.S.S.R.	?						
OLIVE OIL	12.9								
PALM OIL	98.8								
SESAME	8.0								
COLZA	nil								
LINSEED	0.1								
TIMBER	?								

(1) Metal content of ores mined.

It shows the overwhelming extent to which Dr. Goebbels' six "basic materials," (except rubber and in some degree copper) are produced in sovereign States. Rubber is indeed the only important material which is virtually a colonial monopoly—the cultivated rubber of Malaya and Netherlands India having now completely displaced the wild rubber of South America and Central Africa.

The most outstanding feature of the production figures as a whole is the pre-eminence of the *United States*, which is the leading producer of coal, petroleum, cotton, lead, zinc, phosphates, sulphur, and molybdenum, stand second in the production of iron, copper, silver, bauxite, and wool, and have important reserves of gold, timber, tungsten, mercury, and magnesite. The only political unit of comparable importance is the *British Empire as a whole*—i.e., Great Britain and the Colonial Empire, the Dominions and India—whose combined resources of gold (71 per cent.), rubber (58 per cent.), tin (42 per cent.), jute (99 per cent.), nickel (86 per cent.), lead (43 per cent.), zinc (32 per cent.), asbestos (71 per cent.), platinum (59 per cent.), and various vegetable oils dominate the world supply. Though the Dominions are self-governing, the close links of Empire clearly render this a fact of vital significance.

The third place is unquestionably taken by the *U.S.S.R.*, whose rapid advance is an outstanding feature of the tables. This advance in Russian production is particularly noticeable in the case of iron (3 per cent. to 18 per cent.), manganese (28 per cent. to 61 per cent.), magnesite (13 per cent. to 42 per cent.), chrome ore (7 per cent. to 28 per cent.), asbestos (7 per cent. to 27 per cent.) and gold (4 per cent. to 11 per cent.). Thus the *U.S.S.R.* is now the leading producer of half-a-dozen materials—flax, hemp, timber, manganese, magnesite, and chrome ore—and the second producer of four others, including petroleum.

Probably next in importance come three other composite units—*Great Britain, France, and the Netherlands with their Colonial Empires*. (For though the British Empire as a whole has already been considered, the independent status of the Dominions makes it essential to consider Great Britain's position apart from them.)¹

British coal production is second only to that of the United States; Malaya is the leading producer of rubber and tin, and Nigeria of palm oil. France leads in the production of iron ore and bauxite, and is second in potash (Alsace), whilst Tunis,

(1) Cf. page 15 above.

Morocco and Algeria together provide 40 per cent. of the world's phosphates. The Netherlands are not themselves producers, but the Netherlands East Indies yield important supplies of rubber, tin, copra, and palm oil.

But these Colonial Empires are closely rivalled by a dozen self-contained units which are also notably well-endowed—namely, India, certain British Dominions (particularly Canada), China, Spain, and certain American republics. *Canada* has a virtual monopoly of the world's nickel (84 per cent.). She also leads in asbestos and platinum (the one case in which the U.S.S.R. has actually lost ground). She is second in zinc, timber and gold, and has important copper and lead resources. *Australia* leads in wool, is second in lead, and third in zinc. *South Africa* provides half the world's gold, and she and *New Zealand* supply considerable quantities of wool (8 per cent. each). *India* produces virtually all the world's jute and the greater part of the ground-nuts, sesame, and rapeseed; whilst she stands second in the production of cotton, manganese and tungsten (in Burma). In fact it is the British Dominions and India which chiefly account for the virtual self-sufficiency of the British Empire as a whole.¹

Of the other countries mentioned above as in relatively strong positions, *China* leads in the production of soya beans, (though Manchuria is the great exporter), and two comparatively rare metals, tungsten and antimony. Her cotton and silk are also important. *Spain* is first in mercury, pyrites and olive oil.

Of the Central and South American Republics *Chile* is now the chief producer of copper; she is also the only producer of natural nitrates, but during the war Germany was compelled to develop synthetic production on a large scale, and since the war all the most important countries have followed her example, no doubt primarily for strategic reasons. Thus Chile now supplies only about one-tenth of the world demand, and in fact synthetic production is so firmly established that it has been felt superfluous to include nitrates in the table of raw material production. *Mexico* leads in silver, and has important sisal, lead and petroleum resources. *Venezuela's* petroleum output is exceeded only by the United States and the U.S.S.R. *Bolivia* is the second producer of tin and antimony, and *Peru* the first of vanadium. *Argentina's* linseed and wool are important, particularly the former. *Brazil's* production of manganese was notable (10 per cent.) until recently, but is now virtually suspended.

As to the dissatisfied Powers², *Germany* is the world's largest

(1) See below, p. 30.

(2) For the main deficiencies of these and other Powers, see below, pp. 28-32.

producer of potash, and *Japan* of silk and graphite (in Korea). For the rest, apart from Germany's coal and zinc (9 per cent.), they are relatively unimportant producers. *Italy* is the second largest producer of certain minor commodities—hemp, sulphur, mercury and olive oil.

The distribution of these resources by continents is not without interest. It is summarised in the following table, which also covers some leading foodstuffs:—

RAW MATERIALS ¹							
PERCENTAGE OF WORLD PRODUCTION.							
	<i>Europe without U.S.S.R.</i>	<i>Europe with U.S.S.R.</i>	<i>North America.</i>	<i>Latin America.</i>	<i>Africa.</i>	<i>Asia.</i>	<i>Oceania.</i>
	%	%	%	%	%	%	%
1925/9...	25·9	33·8	39·8	5·1	2·9	16·2	2·2
1933 ...	29·0	36·9	31·9	5·0	3·7	20·1	2·4
FOODSTUFFS ²							
1925/9...	29·9	42·3	25·8	9·5	3·0	17·5	1·9
1933 ...	32·1	45·1	22·1	9·4	3·2	18·0	2·2

4. THE IMPORTANCE OF COLONIAL PRODUCTION.

The preceding survey, as being a straight comparison of world with colonial production, tends to undervalue the importance of colonial resources. For the colonies, being little developed industrially, are able to export the greater part of their produce, whereas an industrial country may figure as a large producer and yet be a net importer of the material in question. (An extreme example of this is that whereas the United States produced in 1934, 28·4 per cent. of the world's zinc, and Northern Rhodesia only 1·4 per cent., the latter was the larger exporter).

In some ways, therefore, net export figures would tell more than production figures. But these are extremely difficult to secure, the main difficulty being that often only a small part of the production is exported in its crude form, the remainder being worked up in varying degrees before export, thus removing any basis of comparison.³

(1) League of Nations figures covering tobacco, vegetable oils, textile materials, rubber, wood pulp, fuels, metals, non-metallic minerals and chemicals. See *World Production and Prices, 1925-33*, pp. 120-122.

(2) *Op. cit.*, pp. 119-120 covering cereals, other food crops, meat, wine, coffee, tea and cocoa.

(3) It is, however, possible to secure a general idea as to the relative importance of the various producers as exporters by studying the detailed trade statistics given for each raw material in two annual publications—*The Mineral Industry of the British Empire and Foreign Countries: Statistical Summary* (Imperial Institute), and the *International Year Book of Agricultural Statistics* (International Institute of Agriculture, Rome).

But even when comparing production figures only, it is clear that two colonial areas are very important world sources: namely British Malaya and the Netherlands East Indies, in particular for rubber and tin. Otherwise the colonial territories, though yielding an enormous variety of products, are important producers of very few materials, though the possibilities of future development must not be ignored.¹

African Dependencies

Since public interest is at present focussed on Africa, the table opposite distinguishes the share of the African from that of the other dependencies. The two quasi-monopolies cited above are both outside Africa, and it at once emerges that the one "African" product is *palm oil*, the African dependencies accounting for 76.8 per cent. of the total supply.²

Phosphates (from Tunis, French Morocco and Algeria), *ground-nuts* (mainly from French West Africa, Nigeria and Gambia), and *copper* (from Northern Rhodesia and the Belgian Congo) are the only other materials on the supplies of which the African dependencies have an appreciable influence. A few smaller resources demand special mention in view of the industrial importance of the product; for instance, the Gold Coast's *manganese* (12 per cent.) which renders the British Empire self-sufficient; Tanganyika's *sisal*; the *vanadium* of which South-West Africa and Northern Rhodesia are two of the most important of the few producers; Madagascar's *graphite* (7 per cent.); and the *tin* from Nigeria (4.4 per cent.) and the Belgian Congo (3.7 per cent.).

The table shows the relative poverty of the Portuguese, Italian and Spanish African dependencies, though not, of course, their potentialities.

Non-African Dependencies

Apart from their dominance in *rubber* production, chiefly from British Malaya (46 per cent.), the Netherlands East Indies (37 per cent.), and Ceylon (8 per cent.), the non-African dependencies are important for their *copra*: Netherlands East Indies (30 per cent.), British Malaya (9 per cent.), Ceylon (9 per cent.), and New Guinea (4.3 per cent.); their *tin*: British Malaya (31 per cent.), Netherlands East Indies (16.8 per cent.); their *graphite*: the Japanese sources in Korea now represent 28 per cent. as against 14 per cent. in 1929, Ceylon (10 per cent.); and their *palm* and *palm-kernel oil*, chiefly from the Netherlands East Indies.

The points which stand out from this catalogue are the wealth

(1) See above, p. 22.

(2) For the relative unimportance of this high percentage owing to possibilities of interchange and substitution, see above p. 20.

COLONIAL PRODUCTION AS A PERCENTAGE OF WORLD PRODUCTION

AFRICAN.

NON-AFRICAN.

	Dependencies.							Mandates.	Total.	Dependencies.				Mandates.	Total.	Grand Total.	
	Great Britain.	France.	Belgium.	Italy.	Portugal.	Spain.	Great Britain.			France.	Netherlands.	Japan.					
Antimony ...	—	0.5	—	—	—	0.2	—	0.7	—	—	—	—	—	—	0.7	Antimony.	
Bauxite ...	—	—	—	—	—	—	—	—	5.2	—	7.9	—	—	13.1	13.1	Bauxite.	
Chrome Ore ...	—	—	—	—	—	—	—	—	—	12.3	—	—	—	12.3	12.3	Chrome Ore.	
Copper (1) ...	12.3	—	8.6	—	—	—	—	20.9	0.4	—	—	—	—	0.4	21.3	Copper (1).	
Iron Ore ...	0.2	1.5	—	—	—	0.3	—	2.0	1.0	—	—	0.4	—	1.4	3.4	Iron Ore.	
Manganese Ore ...	12.5	0.2	—	—	—	—	—	12.7	0.6	—	0.4	—	—	1.0	13.7	Manganese Ore.	
Nickel ...	—	—	—	—	—	—	—	—	—	9.0	—	—	—	9.0	9.0	Nickel.	
Tin (1) ...	4.4	—	3.7	—	—	—	—	8.1	31.0	1.0	16.8	—	—	48.8	56.9	Tin (1).	
Tungsten Ore ...	—	—	—	—	—	—	—	—	11.2	1.9	—	2.5	—	15.6	15.6	Tungsten Ore.	
Zinc (1) ...	1.4	0.1	—	—	—	—	—	1.5	—	0.4	—	—	—	0.4	1.9	Zinc (1).	
Petroleum ...	—	—	—	—	—	—	—	—	0.8	—	2.9	—	—	3.7	3.7	Petroleum.	
Rubber ...	0.1	0.1	—	—	—	—	—	0.2	56.6	1.9	37.4	—	—	95.9	96.1	Rubber.	
Graphite ...	—	7.5	—	—	—	—	—	7.5	10.5	—	—	28.0	—	38.5	46.0	Graphite.	
Phosphates... ..	—	40.9	—	—	—	—	—	40.9	3.4	1.0	1.1	—	5.6	11.1	52.0	Phosphates.	
Pyrites ...	—	0.2	—	—	—	—	—	0.2	3.2	—	—	—	—	3.2	3.4	Pyrites.	
Gold ...	1.5	0.5	1.4	—	—	—	—	3.4	0.3	0.2	0.3	1.7	0.5	3.0	6.4	Gold.	
Silver ...	0.4(a)	—	—	—	—	—	—	0.4	—	—	0.5	0.4	—	0.9	1.3	Silver.	
Cotton ...	1.5	—	0.4	—	—	—	0.1	2.0	—	—	—	0.5	—	0.5	2.5	Cotton.	
Wool ...	0.2	2.0	—	—	—	—	0.1	2.3	—	—	—	—	—	—	2.3	Wool.	
Silk ...	—	—	—	—	—	—	—	—	—	—	—	2.9	0.2	3.1	3.1	Silk.	
Hemp ...	—	—	—	—	—	—	—	—	—	—	—	6.0	0.2	6.2	6.2	Hemp.	
Copra ...	1.2	0.1	—	—	1.9	—	0.6	3.8	23.4(b)	1.7	30.5	—	5.0	60.6	64.4	Copra.	
Cotton Seed ...	1.7	—	0.2	—	—	—	0.1	2.0	—	—	—	0.6	—	0.6	2.6	Cotton Seed.	
Ground Nuts ...	5.9	13.5	1.2	—	0.9	—	0.9	22.4	0.1	0.2	3.8	2.0	—	6.1	28.5	Ground Nuts.	
Olive Oil ...	—	11.2	—	0.4	—	—	—	11.6	—	—	—	—	1.3	1.3	12.9	Olive Oil.	
Palm Oil ...	48.4	7.1	13.9	—	2.3	—	5.1	76.8	—	—	22.0	—	—	22.0	98.8	Palm Oil.	
Sesame ...	3.9	0.5	0.8	—	0.3	—	1.1	6.6	—	0.1	0.4(e)	0.8	0.1	1.4	8.0	Sesame.	

(1) Metal content of ores mined.

(a) including 0.3 from South-West Africa.

(b) including 0.6 from Papua.

(e) = export figure.

This table covers all Industrial Raw Materials in the case of which Colonial or Mandated Territories together produce 1 per cent. or more of the world figure, with the exception of vanadium and sisal. South-West Africa and Northern Rhodesia between them produce perhaps two-thirds of the world's vanadium, and Kenya and Tanganyika about one-third of the sisal.

(Facing p. 26).

of the British possessions, Malaya and Ceylon, and of the Netherlands Indies. The position of Great Britain and the Netherlands is further strengthened if one adds Malaya's *tungsten* (11 per cent.), and British Guiana's *bauxite* (now only 5.2 per cent. as against 11.5 per cent. in 1925-29), to the one and Dutch Guiana's *bauxite* (7.9 per cent.) to the other.

The only other resources of the non-African dependencies worth special mention are the *chrome* (12 per cent.) and *nickel* (9 per cent.) of the French colony of New Caledonia. The latter is particularly important, since otherwise Canada has a virtual monopoly of world production.

*Poverty of
Mandated
Territories*

A striking fact which emerges from both the African and non-African sections of the table is the negligible significance of the resources of the mandated territories, apart from South-West Africa's vanadium, Tanganyika's sisal, Nauru's phosphates (4.3 per cent.), and the Palestine potash deposits now beginning to be developed. Thus it can hardly be said that "it is largely due to the loss of her colonies that Germany is so adversely affected by the present position in respect of foreign exchange and raw materials," and "that their return will materially contribute towards the restoration of economic prosperity."¹ In 1911 the total exports of the German colonies to Germany amounted only to £2,105,000, as compared with Germany's total imports of raw materials (excluding foodstuffs) of £270,000,000.²

To sum up: supposing, for purposes of argument, the "colonial raw materials" to be those materials of which the colonies and mandates produce at least 20 per cent. of the world's supply, the list would include the following, produced in the main by the territories mentioned: *palm* and *palm kernel oil* (99 per cent. : Nigeria, Netherlands East Indies, Belgian Congo), *rubber* (96 per cent. : British Malaya, Netherlands East Indies, and Ceylon), *copra* (64 per cent. : Netherlands East Indies), *tin* (57 per cent. : British Malaya, Netherlands East Indies), *phosphates* (52 per cent. : Tunis, French Morocco, Algeria), *graphite* (46 per cent. : Korea, Ceylon, Madagascar), *groundnuts* (28 per cent. : French West Africa), *copper* (21 per cent. : Northern Rhodesia, Belgian Congo), *vanadium* (South-West Africa, Northern Rhodesia), and *sisal* (Tanganyika, Netherlands East Indies). If Southern Rhodesia were added, her chrome ore (9 per cent.) together with that of New Caledonia (12 per cent.), would qualify this product for inclusion in the list.

(1) Hamburg Chamber of Industry and Commerce, *Annual Report for 1935*, p. 35.

(2) "The Necessity for Colonies." *Economist*, November 16, 1935.

It may be thought that by the exclusion of foodstuffs the relative unimportance of colonial resources has been over-emphasised. But it will be seen from Appendix VI that the only important foodstuffs of which the colonial areas produce more than 20 per cent. are: *cocoa* (74 per cent.: Gold Coast 41 per cent., Nigeria 11 per cent., French West Africa 7 per cent., etc.); *tea* (48 per cent.: Ceylon 26 per cent., Netherlands East Indies 20 per cent., etc.); *cane sugar* (36 per cent.: West Indies 15 per cent., Porto Rico 6 per cent., etc.); and *bananas* (30 per cent.: Jamaica 11 per cent., Canaries 8 per cent., Formosa 7 per cent.). For the rest, Palestine produces some *oranges* (7 per cent.), and Netherlands India some *coffee* (4 per cent.), and *tobacco* (2.5 per cent.). [It should be noted that meat and dairy products are chiefly supplied by New Zealand, Denmark and the Argentine, while the great wheat exporters are Canada, Argentina, Australia, the U.S.S.R., and (on occasion), U.S.A.]

5. THE RAW MATERIAL DEFICIENCIES OF THE LEADING INDUSTRIAL STATES.

With these colonial resources in mind it is interesting to see precisely how far not only the dissatisfied Powers, but also the colonial Powers, are deficient in essential raw materials and have to rely, in the matter of access, upon foreign exchange and foreign goodwill.

The table opposite¹ indicates roughly the degree of self-sufficiency of the seven great Powers, distinguishing the position of Great Britain and her dependencies from that of the British Empire as a whole. For purposes of comparison, Belgium and the Congo, Czechoslovakia, and Poland have also been included. It need hardly be pointed out that manufacturers do not in practice only make use of the home or colonial supplies of a raw material even when these are available in sufficient quantities. On the other hand, the home or colonial supplies which are not consumed at home are presumably exported, so that the degree of a country's self-sufficiency at least shows how far her purchase of raw materials involves a foreign exchange problem.

The obvious feature of the table is the fact that no country or political unit is entirely self-sufficient. All are necessarily dependent on foreign sources of supply for many important raw materials since the sources of raw materials are not to any large

(1) Based on Evans Clark, *Boycotts and Peace*, Appendix I; Brooks Emeny, *The Strategy of Raw Materials* (charts); Sir Thomas Holland, *The Mineral Sanction*, and trade and production figures. These authorities do not always agree, particularly in regard to the position of the U.S.S.R. The table is in fact only an approximate indication of the position of the various countries.

RAW MATERIAL DEFICIENCIES OF THE LEADING INDUSTRIAL STATES.

	Great Britain and British Colonial Empire. ¹	British Empire as a whole.	U.S.A. and Dependencies. ²	U.S.S.R.	France and Colonies.	Germany.	Italy and Colonies.	Japanese Empire.	Belgium and Colonies.	Czechoslovakia.	Poland.
Iron ...	-	*	*	*	+	-	-	-	-	-	-
Copper ...	-	**	**	-	-	-	-	*	*	-	-
Lead ...	-	+	+	-	-	-	-	-	-	-	-
Zinc ...	-	-	**	-	-	-	**	-	-	-	+
Tin ...	-	+	-	-	-	-	-	-	*	-	-
Bauxite	+	+	-	-	+	-	*	-	-	-	-
Manganese ...	+	+	-	+	-	-	-	-	-	-	-
Nickel	-	+	-	-	*	-	-	-	-	-	-
Tungsten	-	+	-	-	-	-	-	-	-	-	-
Chromium ...	-	+	-	-	*	-	-	-	-	-	-
Vanadium ...	*	+	-	-	*	-	-	-	-	-	-
Molybdenum	-	-	+	-	*	-	-	-	-	-	-
Antimony	-	-	-	-	-	-	-	-	-	+	-
Magnesite	-	*	-	*	-	-	+	-	-	+	-
Mercury	-	-	-	*	-	-	-	-	-	*	-
Coal ...	+	+	+	*	-	+	-	*	-	+	+
Petroleum ...	-	-	+	+	-	-	-	-	-	-	*
Asbestos	-	+	-	-	-	-	-	-	-	-	-
Graphite	+	+	-	-	+	-	-	*	-	+	-
Sulphur or Pyrites ...	-	-	+	-	-	-	+	+	-	-	-
Phosphates ...	*	*	+	*	*	-	+	-	-	-	-
Potash	-	-	-	*	+	+	-	-	-	-	+
Platinum	-	+	-	+	-	-	-	-	-	-	-
Rubber	+	+	-	*	-	-	-	-	-	-	-
Cotton	-	-	+	-	-	-	-	-	-	-	-
Wool	-	+	-	-	-	-	-	-	-	-	-
Silk ...	-	-	-	*	-	-	+	+	-	-	-
Flax ...	-	-	-	+	*	-	-	-	-	-	*
Jute ...	-	+	-	-	-	-	-	-	-	-	-
Hemp	-	-	-	*	-	-	+	-	-	-	-
Manila	-	-	-	-	-	-	-	-	-	-	-
Sisal ...	*	*	-	-	-	-	-	-	-	-	-
Vegetable Oils	*	+	+	*	*	-	*	-	*	-	-
Timber	-	*	*	+	-	-	-	-	-	+	+

+ Exportable surplus.

* Approximately self-sufficient.

- Partly dependent on outside sources.

-- Largely or entirely dependent on outside sources.

(1) *i.e.* Colonies, protectorates and mandates. Southern Rhodesia is excluded, see p. 15 above.

(2) Excluding the Philippine Islands, see p. 15 above.

extent topographically concentrated. In fact, the problem of access could never be solved by transfer of territory unless whole continents were transferred ; the only real possibility of improvement lies in a greater freedom of trade.

But almost equally striking are the relatively complete resources of the British Empire as a whole, of the United States, and of the U.S.S.R.

*British
Colonial
Empire*

Great Britain by herself has adequate supplies of coal only. But with the aid of her colonies, protectorates and mandates, she has more than enough rubber (Malaya, Ceylon), tin (Malaya, Nigeria), and manganese (Gold Coast), and a sufficient quantity of bauxite (British Guiana), vanadium (Northern Rhodesia), graphite (Ceylon), phosphates (Nauru and Christmas Islands), sisal (Tanganyika), and vegetable oils (Nigerian palm oil, Malayan copra, etc.) ; whilst supplies of copper (Northern Rhodesia), and of pyrites (Cyprus) are partly forthcoming. If Southern Rhodesia were included, the supplies of chromium and asbestos would also be adequate. But despite these valuable additions from her colonies and mandates, Great Britain is still left very incompletely supplied, particularly as regards petroleum and cotton.

*British
Empire as
a whole*

When to the resources of the British Colonial Empire are added those of the Dominions and India the position is radically altered. The only materials of which a serious deficiency remains are petroleum, potash, antimony, mercury, molybdenum, silk, flax, hemp, and manila hemp ; whilst the supply of cotton and sulphur or pyrites is still insufficient. Of these, the shortage of petroleum is the most vital ; but adequate supplies are obtainable from the Government-controlled oil-fields in Iran and Iraq.

U.S.A.

The United States is seriously deficient in rubber, manganese, chromium, tin, antimony, tungsten, nickel, vanadium, platinum, asbestos, graphite, silk, flax, jute, hemp, and sisal, and has inadequate supplies of bauxite, magnesite, mercury, potash and wool. The list is a fairly long one, but it is notable that the really basic materials, coal, iron, petroleum, and cotton are all present in sufficient quantities—indeed in the case of petroleum and cotton the United States is the world's largest producer and exporter.

U.S.S.R.

Information regarding the U.S.S.R. is necessarily more uncertain, but here too there seem to be adequate supplies of the four basic materials. The list of deficiencies would at present appear to be about the same length as in the case of the United States, but there is, of course, more chance of their being remedied by new discoveries. The U.S.S.R. largely or entirely depends

upon outside sources for rubber, lead, tin, bauxite, nickel, tungsten, vanadium, molybdenum, antimony, jute, manila hemp, and sisal, and in some degree for copper, zinc, chromium, graphite, sulphur and wool.

In the case of France, Germany, Italy, and Japan, the deficiencies are so numerous that it is better to examine such resources as they do possess.

*French
Colonial
Empire*

France herself possesses abundant resources of iron, potash, and bauxite, and grows sufficient flax. With the help of her colonies and protectorates she can also supply herself with phosphates (Tunis, Morocco and Algeria), nickel and chromium (New Caledonia), graphite (Madagascar), molybdenum (Morocco), and vegetable oils (West African groundnuts, etc.). But this still leaves her comparatively poorly supplied. Though she has more than enough iron, she has insufficient coal, rubber, lead, and zinc, and no petroleum or cotton, to mention only the major deficiencies.

Germany

Germany has a surplus of coal and potash—though the higher-quality coal has to be imported for making certain steels. Otherwise she is partly or entirely deficient in every material. She has supplies of iron, lead, and zinc, but these are insufficient since Lorraine and part of Silesia were lost. The complete lack of vegetable oils is important.

Italy

Italy has more than enough silk, hemp, mercury, and sulphur, and sufficient lead, zinc, bauxite, and vegetable oils (olive oil). But whereas Germany has at least coal, Italy lacks all the most important materials, although advantage is being taken of her abundant water power for hydro-electric development.¹ Nor is her position in any way improved by her colonial possessions.

*Japanese
Empire*

Japan also has a surplus of silk and sulphur, and has sufficient coal, copper and graphite (Korea). But she too lacks cotton and petroleum and her iron is insufficient (though inferior supplies are available in Manchukuo). Japan's possessions, notably Korea, are by no means valueless, but her deficiencies are very nearly as striking as those of Germany and Italy. But Manchukuo has sufficient magnesite to supply Japan's requirements, as well as considerable quantities of soya beans, timber, iron ore, and oil-shale. It might also be noted that North China has coal, iron and cotton.

*Poland,
Czecho-
slovakia,
Belgium*

Of the three other countries whose position has been set out, Belgium is highly industrialised, and Czechoslovakia partly so,

(1) Cf. *The Economic and Financial Position of Italy*, R.I.I.A. Information Department Papers No. 15. Oxford University Press, September, 1935.

while Poland is still predominantly agricultural, but is beginning to develop certain industries. It is evident that these countries are in very much the same position as the "dissatisfied Powers." Poland is the best-endowed, having export surpluses of coal, lead, zinc, potash and timber, and sufficient petroleum and flax. Czechoslovakia is deficient in everything except coal, timber, antimony, magnesite, graphite, and mercury, and Belgium herself in every material. The Congo can only supply her requirements of copper, tin and vegetable oils.

Foodstuffs

It may be argued that by concentrating exclusively on industrial raw materials the foregoing analysis gives a distorted idea of the relative position of the Great Powers¹. For Great Britain is notoriously far more dependent on imported foodstuffs than practically any other nation in the world. Even with the help of her Colonial Empire she is worse off than Germany, Italy or Japan, for the colonies supply little but fruit and sugar, cocoa, tea and coffee, and vegetable oils, and leave her seriously deficient in wheat, meat and dairy products. On the other hand, the Dominions are such large producers of these last-named commodities that the British Empire as a whole can certainly be regarded as self-sufficient (although in point of fact Great Britain leans heavily on the Argentine and Denmark). Of the other countries considered, the U.S.A. and the U.S.S.R. are net exporters of most foodstuffs, whilst Poland and Czechoslovakia are approximately self-sufficient. Germany, Italy and Japan in part depend on foreign supplies for certain items—of which perhaps the chief are, in the case of Germany, fats and oils, fruit and eggs; in the case of Italy, meat and fish, and in the case of Japan, soya beans and wheat. In fact the positions in regard to raw materials and to foodstuffs respectively only differ seriously in the case of the unit formed by Great Britain and her Colonial Empire.²

(1) For their trade by categories of commodities, see Appendix II.

(2) For tables showing the leading producers of foodstuffs and the importance of colonial production, see Appendix VI.

PART II. THE PROBLEM OF ACCESS : PRESENT AND POTENTIAL RESTRICTIONS

The facts set out in Part I show that the colonial and mandated territories are much less important as sources of raw materials than is commonly supposed. Nor is the situation materially altered by the inclusion of foodstuffs, since it is only in the production of cocoa, tea, cane sugar, and bananas that the colonies are of appreciable importance. It would, however, be a mistake to suggest that the strictly colonial raw materials are of no importance at all.

Part II is concerned with the problem of access to colonial resources. It discusses how far the obstacles which hamper the dissatisfied Powers (not to mention other States) are due to (1) direct, and (2) indirect restrictions.

The first category includes preferential export duties, discrimination in the granting of concessions, and international producers' restriction schemes. The second, indirect type of obstacle is the difficulty in securing markets and, consequently, foreign exchange. Here the colonial Powers bear a certain share of the responsibility in that, the further they carry the policy of imperial preferences, and close the door to colonial markets, the more difficult it must be for other nations to find markets for their exports. On the other hand, as markets the colonies are of small importance compared with self-governing States, so that the shortage of foreign exchange is a world, not merely a colonial problem. Moreover, in estimating the effects of colonial preferences it must be borne in mind that, while the present tendency is towards reciprocal trade, multilateral trade still exists. As a result, the home country benefiting from a sure market in its colonial territories may be able to afford an unfavourable balance of trade with certain other States, which are in consequence in possession of a surplus of foreign exchange for the purchase of raw materials elsewhere.

This foreign exchange problem is so much emphasised by the dissatisfied Powers that it is dealt with before the more direct obstacles are considered.

I. INDIRECT RESTRICTIONS.

(i) FOREIGN EXCHANGE DIFFICULTIES.

“ My impression is that there is no question in present circumstances of any colony withholding its raw materials from any purchaser. On the contrary, the trouble is that they cannot be sold at remunerative prices.” This statement by Sir Samuel Hoare sums up in a few words one side of the question of access. Production of practically all raw materials outstrips consumption, and producers in all countries, and particularly in colonies, are only too anxious to dispose of their wares. For instance, it is greatly to Nigeria's disadvantage, and is not her fault, nor yet Great Britain's, that Nigerian exports to Germany fell from £4 million in 1930 to £1 million in 1934.

But there is also the other side of the question—the lack of the means of payment. It would be idle and unconstructive simply to declare that colonial raw materials are freely available to all who can pay for them, when it is clear that there are some countries which for various reasons do not possess the means of payment. Even within national tariff and currency areas, raw materials have, of course, to be paid for ; but purchasers outside those areas, unless direct barter is resorted to, have to pay in a foreign currency, which they can only acquire by the export of goods or services, the raising of foreign credits, or the transfer of gold or securities. So long as there are obstacles to international trade which do not apply to domestic trade, it must always be somewhat easier to purchase materials within one's own currency area, although the importance of this factor can easily be exaggerated.

At its worst phase the world economic depression was characterized by a serious breakdown of the system of distribution and exchange, within as well as across national frontiers. But although in many countries there has recently been a considerable degree of internal recovery, international trade still lags behind. The contrast is brought out in the following figures :—

INTERNATIONAL TRADE : INDEX COVERING 75 COUNTRIES.¹

	1929	1930	1931	1932	1933	1934	1935
Quantum	100	93	86	74	75	77	79
Value ...	100	81	57·9	39·2	35·2	34·1	34·6 ²

(1) Source : *League of Nations Monthly Bulletin of Statistics*.

(2) Since October, 1935, calculated without Italy.

NATIONAL PRODUCTION: INDICES FOR SEVEN COUNTRIES.

	1929	1930	1931	1932	1933	1934	1935
Great Britain	100	92.3	83.8	83.5	88.2	98.8	105.7
U.S.A....	100	80.7	68.1	53.8	63.9	66.4	75.6
U.S.S.R.	100	129.7	161.9	184.8	201.2	239.1	—
France...	100	100.4	88.9	69.0	76.7	71.0	67.4
Germany	100	85.9	67.6	53.3	60.7	79.8	94.1
Italy ...	100	91.9	77.6	66.9	73.7	80.9	92 (8 months)
Japan ...	100	94.8	91.6	97.8	113.2	128.7	136

The drop in the quantum index of international trade means that on an average every nation has been compelled by the shrinkage of its export markets to dispense with nearly a quarter of its normal volume of imports. The still more striking fall in the value index is a reflection of the calamitous fall in prices which precipitated, and has been the fundamental feature of the economic crisis.

Responsibility for the shortage

This is not the place to discuss the origins of the depression in international trade, but whatever the fundamental causes, it is clear that their effects have been greatly aggravated by the tariffs, quotas, and exchange restrictions which have been raised to prohibitive levels in the past few years. The symptoms of this economic nationalism are most evident in the poorer and debtor countries, and all too frequently the main responsibility for the outbreak of the disease is attributed to these countries. But it is only fair to point out that these countries, having extremely limited reserves of gold or foreign exchange, have largely been driven to such expedients in self-defence, owing to the refusal of certain creditor countries either to accept interest and other payments from debtor countries in the form of goods and services, or to extend them further loans. The American tariff and the French quotas have had far more disastrous international effects than the barriers erected in reply by Germany and Italy; the fact that these two creditor countries have now accumulated two-thirds of the world's gold reserves is a sure sign that they have not been balancing their international payments and receipts.

On the other hand, it is widely held that Germany and Italy are themselves largely responsible for their foreign exchange difficulties, in that they have erected elaborate exchange controls in order to keep up the exchange value of their currencies instead of allowing them to find their natural levels.¹ As a result the

(1) On the other hand, the fear of devaluation in countries which have previously only experienced it as a consequence of inflation has been an important psychological factor in determining policy.

prices of German and Italian goods are artificially high in terms of foreign currencies, and the export industries have been correspondingly handicapped. This criticism does not, of course, apply to Japan; indeed, the depreciation of the yen has been a factor of major importance in the rapid expansion of Japanese exports. It is true that devaluation of the Reichsmark would immediately increase the cost of Germany's heavy foreign debt service, but this service apart from the Dawes, Young and Potash Loans, is in any case virtually suspended. In the case of Italy no such argument is valid against devaluation, for the volume of foreign indebtedness is relatively very small. Another favourite argument is that devaluation would increase the cost of imports. But if these countries did not curtail their own supplies of foreign exchange in this way they could well afford to pay slightly higher prices for their imports.

Germany and Italy have added to their marketing difficulties by their political as well as by their monetary policy; instances are the boycott of German goods by Jews all over the world, but particularly in New York, in reply to Nazi persecution, and the sanction imposed on Italy's export trade by some two-thirds of her customers in condemnation of her aggression in Abyssinia.

Finally, one factor is common to all three countries. This memorandum is not concerned with the ethics of rearmament. But the fact cannot be ignored that the exceptional raw material demands of the armament industries have greatly aggravated the foreign exchange difficulties of Germany, Italy and Japan. "Iron," according to General Goering, "has always made an empire strong; butter only makes people fat. . . . Either we bought butter and went without freedom, or we achieved freedom and did without butter. We decided for iron. That is one cause of the butter shortage."¹

(ii) PREFERENTIAL COLONIAL IMPORT DUTIES.

By comparison with the far-reaching factors just considered, the effect of preferential colonial import duties upon the foreign exchange position of the non-colonial countries is small. Further, it is illogical to limit the survey which follows to colonial preferences. For though the nations without colonies require foreign exchange for the purchase of colonial materials, these can be obtained by selling goods in any foreign markets unhampered by exchange restrictions; and colonial markets represent a mere fraction—less than 10 per cent.²—of the world

(1) *Frankfurter Zeitung*, December 8, 1935.

(2) Calculated from figures in the *Review of World Trade*, 1933, League of Nations, 1934, p. 19.

market. Quantitatively, a far more serious development is the tendency towards exclusive trade agreements, whether bilateral or multilateral. Of these, the most important are probably the Ottawa Agreements between the United Kingdom, the British Dominions, and India, particularly in so far as these involved raising the general tariffs in order to grant a preference.¹ Other exclusive economic agreements of this kind have been concluded recently, as for example the agreement between Italy, Austria and Hungary signed in March, 1934. Naturally the only objection to such agreements is their exclusiveness; this criticism would not apply if these low tariff groups were in practice open to all countries to join.²

But the present survey must be confined to potential colonial changes, and therefore to colonial barriers.

*Areas
Governed by
International
Open Door
Agreements*

In almost all the colonial empires, there are considerable areas in which the general policy of the mother-country is not applicable, either (i) because these areas are held under a League mandate, or (ii) because they are covered by certain international treaties, or (iii) because the colonies in question are primarily engaged in *entrepôt* trade.

*The
Mandates*

Mandated territories are divided by the League Covenant into three classes usually known as the A, B, and C mandates.³ In the first two, the Open Door must be observed as regards the "trade and commerce of *other members of the League.*" In the

(1) According to the *Economist*, Ottawa Supplement, October 22, 1932, p. 7, the effect of Ottawa on the British tariff was as follows:—

Percentage of Foreign Imports taxed at	10%	11-20%	over 20%
before Ottawa	32.9	15.3	4.6
after Ottawa	28.3	21.8	7.7

The percentage of imports admitted free fell from 30 per cent. to 25 per cent.

(2) See below, p. 55.

(3) See Article 22 of the Covenant. The mandates are:—

A :	Palestine	mandatory :	Great Britain.
	Transjordan	" :	Great Britain.
	Syria	" :	France.
	Lebanon	" :	France.
	(The A mandate for Iraq terminated in 1932.)		
B :	Tanganyika	mandatory :	Great Britain.
	Ruanda-Urundi	" :	Belgium.
	British Togo	" :	Great Britain.
	British Cameroons	" :	Great Britain.
	French Togo	" :	France.
	French Cameroons	" :	France.
C :	South West Africa	" :	Union of South Africa.
	New Guinea	" :	Australia.
	Samoa	" :	New Zealand.
	South Sea Islands	" :	Japan.
	Nauru	mandatory	British Empire { Great Britain. Australia. New Zealand.

case of the B mandates, this stipulation is made in the Covenant itself; in that of the A mandates—the class recognised as nearly ready for independent status—the provision is made in the text of the mandate. But in the C mandates, despite Belgian and Japanese demands, “the Peace Conference found it politically necessary to exclude this guarantee.”¹

Evidence of the fulfilment of the provisions of the mandate is obtained from the annual reports submitted at Geneva by the Mandatory Power and there scrutinised and criticised by the Permanent Mandates Commission. The members of the Commission can put questions to the representative presenting the report, but they are not empowered to inspect the mandated territories themselves, nor to hear complaints through the mouth of aggrieved parties in the mandated area, since petitions can only be submitted in writing through the mandatory Power.

The Open Door provisions appear to be closely observed, and as the advantages are in practice extended to non-members of the League, such as Germany and Japan, the dissatisfied Powers would seem to have little cause for complaint.

It is sometimes argued² that, whatever the rules laid down, in practice the bulk of the trade goes to the administering country. But the full trade figures for all A and B mandates³ show that in fact this is by no means always the case; in Palestine, Tanganyika and French Cameroons the mandatory is the chief supplier of imports, but in Syria, British Cameroons, French Togo and Ruanda-Urundi, it is not.

Nevertheless, the mandatory is in all cases an important source of supply, owing partly to considerations such as language and currency (the mandated territories are all linked to the currency of their mandatory), and partly to the relative importance of purchases, both official and unofficial, by Government servants, who are nationals of the Mandatory Power and naturally tend to turn to the sources they know in their home country. “With the exception of large public works (railways, etc.) which, in a mandated territory, must be submitted for international tender, the local Government obtains all its supplies from the homeland.”⁴ This might seem to be an infringement of the principle of “economic, commercial, and industrial equality,” but in the B mandates at least it is covered by the

(1) Cf. Quincy Wright, *Mandates under the League of Nations*, University of Chicago Press, 1930, p. 474.

(2) Cf. Leonard Barnes, *The Future of Colonies*, Hogarth Press, 1936, p. 29.

(3) See Appendix III.

(4) Lord Lugard, “Africa and the Powers.” *The Times*, September 19 and 20, 1935.

very wide qualification "that the mandatory shall be free to organise essential public works and services on such terms and conditions as he thinks just." Criticism is from time to time levelled at the way in which this provision is interpreted by the mandatory Powers. For instance, in the case of a British loan to Tanganyika, it was held to justify a "tying-in clause" stipulating that the proceeds of the loan be spent in the lending country. When a loan is *not* being spent on "essential public works" there are clearly no legal grounds for "tying-in" clauses, though as Lord Lugard has pointed out, there may be mitigating circumstances: "When the suzerain has special claims, such as the expenditure of large sums without any direct return—*e.g.*, the Uganda railway and liberal financial assistance—there is some justification for considering that these special advantages are a fair *quid pro quo*."¹

Besides these indirect discriminations, there would seem to be a small but clear breach of the Open Door principle, namely, the fact that mandated territories are allowed to enter into customs unions, provided that the other members of such unions themselves preserve the Open Door. Thus British, French and Belgian mandated territories have all entered into customs unions with other colonies which fall within the area covered by the Congo Basin Convention. Obviously such arrangements discriminate in favour of those other colonies and hence the mother countries, but the Mandates Commission considered that this objection was not sufficiently serious to warrant prohibition of the unions.²

*Other
International
Agreements*

The second far-reaching case in which colonial policy is no longer exclusively governed by the will of the suzerain is that of the areas in which equality of opportunity is established by international treaties, namely the Congo Basin, Morocco and British and French West Africa.

*Congo Basin
Treaties*

In the Congo Basin,³ the Open Door is guaranteed to the signatories and to States Members of the League of Nations by the Convention of St. Germain of September 10, 1919,⁴ signed by the United States, Belgium, the British Empire, France, Italy,

(1) *The Times*, September 19, 1935.

(2) For some further details regarding equality of access in mandated territories see L. Birch, *The Demand for Colonies*, League of Nations Union, 1936, pp. 15-19.

(3) The area covered includes the Belgian Congo, parts of French Equatorial and Portuguese West Africa, Ruanda-Urundi, Kenya, Tanganyika, Uganda, Nyasaland, Zanzibar, part of Abyssinia, part of Italian Somaliland, the northern part of Northern Rhodesia and of Angola, and part of the Anglo-Egyptian Sudan.

(4) British White Paper. Cmd. 477. of 1919.

Japan and Portugal.¹ This Convention revised the General Acts of Berlin, 1885, and of Brussels, 1890. The Berlin Act was the result of French and German protests against British "recognition" of Portuguese rights over the mouth of the Congo, after the potentialities of the Congo Free State had become evident. It guaranteed freedom of import into the Congo Basin for the goods of all nations; this provision was revised by the Brussels Act, which allowed 10 per cent. revenue tariffs on imports, but no preferential or transit duties. Under the Convention of St. Germain there is no limit in the height of tariffs, but complete commercial equality is guaranteed. No provision is made for denunciation. But under Article 15, "the Signatory Powers will reassemble at the expiration of ten years from the coming into force of the present Convention, in order to introduce into it such modifications as experience may have shown to be necessary;"² under Article 12, "the Signatory Powers agree that if any dispute whatever should arise between them relating to the application of the present Convention which cannot be settled by negotiation, this dispute shall be submitted to an arbitral tribunal in conformity with the provisions of the Covenant of the League of Nations."

*Act of
Algeciras*

The Open Door is also established by international treaty in Morocco. This is based on the Algeciras Convention of 1906, signed by Great Britain, France, Germany, Spain and Italy. When France assumed a Protectorate over the French zone in 1912, an Open Door pledge was again given. But after the war, Germany, Austria and Hungary surrendered their rights under the Algeciras Convention by special clauses in the Peace Treaties.

*The Anglo-
French
Convention
of 1898*

In certain British and French West African colonies³ the position is governed by an Anglo-French Convention of 1898 by which the two countries undertook not to discriminate against one another in these areas. This immunity extends to most other important States by virtue of most-favoured-nation clauses included in their trade treaties with the two Powers. The States in question include Germany and Italy, but not Japan (the application of the Anglo-Japanese Commercial Treaty of 1911 to the West African territories having been terminated by the British Government in 1934) and not the U.S.S.R. (whose present trade agreements with Britain do not give her most-favoured-nation

(1) Ratifications were deposited as follows: Great Britain, July 31, 1920; France, July 23, 1921; Japan, April 6, 1922; Portugal, October 7, 1922; Italy, April 4, 1931; U.S.A., October 29, 1934. The Convention entered into force for each signatory Power from the date of its ratification.

(2) No such meeting has in fact taken place.

(3) Nigeria and the Gold Coast, Dahomey and the Ivory Coast.

rights in the colonies). But the present equality would appear to be threatened, for the French Government recently suggested that the provisions of Article 9 of the 1898 Convention—the relevant article—should be suspended by mutual consent of France and Great Britain, adding that, failing such agreement, the whole Convention will cease to operate as from October 22, 1936.¹

But however wide open the door, the trade figures show that in these special areas the governing Power in practice enjoys marked advantages, far more so than in the case of the mandates :

IMPORTS.

1934		1934		1933		1934	
<i>French Morocco</i>		<i>Nigeria</i>		<i>Belgian Congo</i>		<i>Kenya-Uganda</i>	
(Act of		(Anglo-French		(Congo Basin		(Congo Basin	
Algeciras)		Convention)		Treaty)		Treaty)	
%		%		%		%	
France &		U.K. ...	55.2	Belgium...	43.4	U.K. ...	36.8
Algeria ...	43.7	Japan ...	6.9	U.K. ...	13.5	Japan ...	15.3
Japan ...	8.1	U.S.A. ...	6.1	U.S.A. ...	7.9	Tanganyika	14.4
China ...	5.6	India ...	6.0	Germany	6.5	U.S.A. ...	6.2
Belgium ...	5.5	Germany...	4.7	Japan ...	5.6	India ...	5.5
U.S.A. ...	5.3	Netherlands	2.2	France ...	3.7	Germany	3.5
U.K. ...	4.5						
Rumania ...	4.4						
Italy ...	3.6						

This tendency is not necessarily the result of policy ; it is in part due to the factors such as language, currency and the nationality of the administrative staff already noted in the case of the mandates. In the colonies these advantages are enhanced by the fact that the unofficial white population is usually mainly from the mother country, with which there are therefore long-standing business and cultural connections.

The Open Door is already guaranteed (except to certain Powers in West Africa), in the greater part of the African dependencies, and also in Palestine and Syria. Elsewhere throughout the colonial empires, the tariff policies of the Imperial Powers are a matter for individual decision.

In the British colonies, except in the mandated and treaty-governed territories already enumerated, Imperial preference has been steadily extended since the war.² It was estimated by the United States Tariff Commission in 1922 that though twenty-six out of the fifty-five British colonies already gave certain Imperial preferences, only 5 per cent. of British colonial trade was

(1) *Board of Trade Journal*, December 19, 1935, p. 854.

(2) For detailed lists see *Customs Tariffs of the Non-Self-Governing Colonies, Protectorates, Mandated Territories, etc.* (Colonial No. 97, H.M. Stationery Office, 1934).

*Policy
outside
these areas*

Great Britain

affected by them. The proportion now must be far larger. In particular, at the Ottawa Conference the British Government undertook to "invite" the Governments of certain non-self-governing colonies and protectorates to accord specific new or additional preferences to Canada, Australia and India.¹ Moreover, these and other existing preferences had virtually all to be extended to other Empire countries.² The Ottawa preferences were established for five years; they cannot be removed before August 1937. It is impossible to generalise regarding their size, but frequently they are of the order of 30 per cent. to 50 per cent. of the general tariff; in some cases, for instance, in that of canvas rubber-soled shoes, they are considerably higher.

But the most striking example of discrimination in the Colonial Empire is afforded by the textile quotas imposed in 1934. In the previous year or two the pressure of Japanese competition in this sphere had become so acute that the British Government decided to restrict imports of cotton and rayon piece-goods into British colonies not pledged to maintain the Open Door; quotas were accordingly allocated to foreign countries on the basis of their average exports to the relevant colony in 1927-31.³ Except in West Africa, imports from all countries were restricted; but the choice of 1927-31 as base years meant heavy *de facto* discrimination against Japan, since her trade with the British colonies in the 1927-31 period was only a fraction of that she had acquired by 1934. In the West African colonies, the discrimination was *de jure* as well, since the terms of the Anglo-French Convention made it impossible to restrict any but Japanese imports—a fact of which Czechoslovakia and Italy have taken advantage.⁴ In West Africa duties discriminating against Japan have been imposed on articles of apparel, galvanised iron and cement.

The effect of this action is illustrated by the following figures: the import of Japanese cotton piece-goods into British dependencies where quotas were applied fell from 51 million linear yards in the first quarter of 1934 to 10 million linear yards in the first quarter of 1935; by contrast, the imports into the

(1) Cf. *Imperial Economic Conference at Ottawa, 1932: Summary of Proceedings and Copies of Trade Agreements* (Cmd. 4174 of 1932), United Kingdom—Canadian Agreement, Article 8; United Kingdom—Australian Agreement, Article 7; United Kingdom—India Agreement, Article 9.

(2) Provided for in the Articles enumerated in footnote (1) above, and in similar Articles in the Agreements with the other Dominions.

(3) For details see *Board of Trade Journals*, May-July, 1934.

(4) Cf. "How the Colonial Quota System is Working," *Manchester Guardian Commercial*, October 4, 1935. Some account of the working of the quotas is also given in G. E. Hubbard, *Eastern Industrialisation and its effect on the West*, Chapter I. Oxford University Press, 1935.

dependencies where quotas were not applied rose from 20 to 27 million yards.¹

France

France maintains very close trade relations with her colonies. Algeria being part of France is included in the French customs area ; Tunis makes its own customs regulations subject to the approval of the French Ministry, and grants heavy preferences to French goods.

Under the Colonial Customs Act of April 13, 1928, the " assimilated areas " (Indo-China, Madagascar, Guadeloupe, French Guiana, Martinique and Reunion) enjoy free trade with the mother country and have virtually the same tariffs ; in effect, therefore, they afford 100 per cent. preferences to France and receive them in return. The non-assimilated areas comprise the mandates and treaty territories already referred to and the remaining French colonies. Of these latter, only French Somaliland, which is chiefly of importance for entrepôt trade, maintains the Open Door ; in the other territories (part of Gaboon, New Caledonia and other Pacific Islands, French India, etc.), the tariffs strongly favour the mother country.

The complicated import quotas established by France since 1931 do not place any restrictions on the import of colonial produce, whilst some of the colonies have been given quota systems of their own correspondingly favourable to France.² In consequence the proportion of France's import and export trade conducted with the colonies has risen strikingly in the past few years.³

The report of the French Colonial Conference of 1934-35 affords evidence of a strong movement in favour of still closer trade relations with the colonial empire, even to the extent of denouncing the treaties guaranteeing the Open Door in certain areas.⁴

Netherlands

The Netherlands repealed her last preferences in favour of her own goods in 1886, and since that date her colonial economic policy, based upon strict observance of the Open Door principle, has been recognised as the most liberal in the world. Only very recently has any question of discrimination arisen. The Netherlands East Indies provided an obvious target for the onslaught

(1) Written answer by Mr. J. H. Thomas in the House of Commons, *Hansard*, December 20, 1935, Col. 2154.

(2) Cf. F. A. Haight, *French Import Quotas*. P. S. King & Sons, 1935, p. 14.

(3) Trade with the Colonies, Protectorates and Mandated areas as a percentage of total French trade :—

		1930	1931	1932	1933	1934
Imports into France	%	12.5	14.7	20.9	23.7	25.3
Exports from France	%	20.6	24.0	31.5	32.4	30.9

(4) See *Rapports Generaux et Conclusions d'Ensemble*, and in particular the reports of the two special committees on increased home export to the colonies, Vol. I, p. 228-9 and Vol. II, pp. 40-41.

of Japanese competition, and in 1933 by the Crisis Import Ordinance, the Governor-General was empowered to introduce an emergency quota system.¹ The quotas imposed under this ordinance on textiles, beer, cement, etc., have *de facto* discriminated considerably against Japan.

Belgium

In both the Belgian possessions the Open Door is pledged by Treaty. The whole of the Belgian Congo comes within the Conventional Basin of the Congo. It is true that in the days of the Congo Free State the provisions of the Berlin Act were notoriously violated. But the situation was radically altered after the territory became a Belgian colony in 1908, and "the Belgian Congo is no longer the subject of exceptional complaint."² In Ruanda-Urundi the Open Door is additionally guaranteed by the status of the territory as a B Mandate.

Portugal

The small part of Angola which lies north of the River Loge comes within the Conventional Basin of the Congo, and is therefore required to preserve the Open Door; and Macao is a Free Port. But the Azores and Madeira are included in the Portuguese customs area; and all the other Portuguese possessions give heavy preferential treatment to Portuguese goods. In Mozambique the preferences amount to 50 per cent. or over.³ In Angola (outside the small Congo Basin area) "the basic duties on goods of Portuguese origin are generally 10 per cent. of those on merchandise coming direct from a foreign country; while foreign goods imported by way of Portugal, after having paid import duties there, pay upon entry into Angola only 80 per cent. of the duties levied on foreign goods coming direct."⁴ In recent years the position has been rendered still more favourable to Portuguese exporters by the Decrees of August 17, 1931, and of April 22, 1932, imposing drastic exchange restrictions in Angola and Mozambique respectively. For under these Decrees no foreign exchange is allocated for the import of luxury goods (supplied chiefly by foreign countries, notably the United Kingdom) until all the demand for necessities has been satisfied. Moreover, definite preference is given in releasing exchange for the import of Portuguese goods. Thus £225,000 was lent to the Angolan Exchange Fund to facilitate transfers in payment for Portuguese goods only.

Recently attempts have been made to stimulate inter-colonial

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- (1) G. E. Hubbard, *Eastern Industrialisation and Its Effect on the West*, p. 9.
 - (2) B. Gerig, *The Open Door and the Mandates System*, p. 52.
 - (3) Department of Overseas Trade Report, 1929, p. 17.
 - (4) Department of Overseas Trade Report, 1925, p. 25.

trade by preferential treatment. Since 1933 tobacco, sugar, rice, coffee, and other commodities have been allowed to pass from one colony to another duty free, or under reduced tariff, and in some cases free of export tax.

Italy

Practically all the commercially developed part of Italian Somaliland falls within the conventional basin of the Congo ; nevertheless, a preferential tariff in favour of the motherland obtained there for many years ; it was finally abolished in 1934. In the other Italian colonies preferential duties obtain. In 1934 a writer in the semi-official periodical *Gerarchia* pointed out that Italy did not yet figure in the import trade of her colonies in the measure which was " possible and necessary." He went on to point out the spread in other empires of policy of the Ottawa type ; " our colonies are in this respect a positive element for the furtherance of Fascist policy."¹

Spain

In the Spanish zone of Morocco the Open Door is guaranteed for most countries by the Act of Algeciras. In the Canary Islands the Open Door is maintained as a matter of policy. In the other colonies preference is the general rule.

Japan

Only in the Leased Territory of Kwantung is the Open Door maintained (by Treaty). In the Pacific Islands held as C Mandates, the principle of the Open Door is evidently not scrupulously observed, despite Japanese demands at the Peace Conference for its application to C as well as to A and B Mandates.² Korea, Formosa, Sakhalin and all other Japanese possessions are " assimilated "—that is to say they are in a customs union with Japan, and impose the same import duties on foreign produce.

United States

Hawaii being constitutionally a part of the United States, the tariff system is assimilated thereto. Elsewhere import duties give preference to American produce.

*British
Dominions*

The possessions of the British Dominions, apart from Papua, are held as C Mandates ; specific preferences are given in Western Samoa and in South-West Africa.

To sum up, in almost all colonial territories not covered by special treaty the export trade of the non-colonial Powers is restricted ; as regards the special treaty territories, in the colonies the imports come predominantly from the mother country, but in the case of the mandates, the mandatory is by no means always the chief supplier.

(1) G. E. Pistolese, " Economia coloniale ed economia nazionale," *Gerarchia*, January, 1934. pp. 50-51.

(2) Quincy Wright, *Mandates Under the League of Nations*, 1930, p. 259, note.

2. DIRECT RESTRICTIONS.

(i) DISCRIMINATORY EXPORT DUTIES.

Direct restrictions upon access must now be considered. One example of these is the discriminatory export duty imposed on the raw material itself.

Export duties of moderate dimensions are employed as a normal method of obtaining revenue in many primary-producing countries. They are levied chiefly in little-developed countries where there is limited scope for direct taxation, and where the bulk of the revenue must be obtained by levies on imports or exports or both. As such, they are not open to serious objection on the score of discrimination; they are therefore ignored here.

But in some colonial areas such duties have been made to discriminate in favour of the industry or shipping of the mother country (sometimes purely for strategic reasons), so giving cause for complaint to consumer and "starved" states.

Though the complaint is theoretically valid, in practice it is not very well founded, because in most of the colonial empires such duties are very few.

In the British Colonial Empire there are now only three examples of discrimination of this kind; all apply to tin. Tin ore exported from the Federated Malay States and Johore is charged a prohibitive duty unless destined for smelting in the Straits Settlements (since 1903), the United Kingdom (since 1904), or Australia (since 1916).¹ Since the war a similar preference has been accorded on exports of tin ore from Nigeria to the United Kingdom or British possessions.² A heavy discriminatory duty upon palm kernels exported from British West Africa was approved by Parliament in 1916, but was only applied between 1919 and 1922.

As regards the policy of other colony-owning countries, "Portugal makes wide use of discriminatory colonial duties to favour her shipping, and the port of Lisbon has been built up largely as a warehouse and transshipment centre for colonial products. France . . . has long imposed discriminatory colonial export duties on a few products, and she has increased the number since the war. The other colonial powers do not ordinarily enforce discriminatory export duties in their colonies,

(1) When the price of tin is \$41 per pikul, a duty of \$2.40 is charged on all exports of tin ore from the Federated Malay States; and this duty rises by 12 cents for every \$1 rise in the price of tin. But unless the ore is to be smelted in the Straits Settlements, the United Kingdom, or Australia, an additional duty of \$30 per pikul is charged.

(2) The preferential export duty is equivalent to 50 per cent. of the maximum royalty payable in respect of tin ore—which is at present 10 per cent.

though such duties are found in Spanish Guinea and in Italian Libya and Somaliland. Since 1913 the United States has permitted no export duties of any sort in its dependencies except in the Virgin Islands."¹ Japan does not levy export duties.²

It should be remembered that neither the French nor the Portuguese Colonial Empires enjoy anything like a monopoly of any raw material.

(ii) RESTRICTION ON EXPLOITATION.

Freedom of access implies the right to exploit as well as to purchase colonial raw materials on equal terms.

In the A and B mandated territories and in the Conventional Basin of the Congo this right is included in the guarantee of equality of commercial opportunity. Moreover, a special provision prohibits monopolistic concessions except where these are required for fiscal purposes. In other colonial territories the position varies considerably.

Subject to certain exceptions referred to below, in the British and Netherlands colonies the Door is as open to foreign as to British or Netherlands' capital. Thus in British Malaya rubber is cultivated by companies known to be under Japanese, American, Belgian, French, Danish and Italian control; Japanese companies also have investments in Malayan iron and manganese mines. Moreover, American companies are interested in manganese in the Gold Coast, petroleum in Trinidad, and bauxite in British Guiana. In the Netherlands East Indies 56 per cent. of the capital invested in rubber is foreign, of which 30 per cent. is British and 8 per cent. American; 30 per cent. of that in tea is foreign, chiefly British, and 46 per cent. of that in oil-palm production is foreign, of which 31 per cent. is French or Belgian.³ Recently a concession for cotton-growing was granted to Japan in Dutch New Guinée, covering 214 square miles—one-tenth of the area demanded.⁴

In the British colonies, the only exceptions relate to the exploitation of petroleum. Thus, in British Honduras, Brunei, the Cayman Islands, Fiji, the Gold Coast, Nigeria, Nyasaland and Trinidad, oil leases or licences are only granted to British subjects. No other form of exploitation is so restricted, but in cases where it has proved convenient to grant concessions to single companies there is, as in most empires, a natural bias in favour of national

(1) B. B. Wallace and L. R. Edminster, *International Control of Raw Materials*. The Brookings Institution, 1930, p. 238.

(2) W. S. Culbertson, *International Economic Policies*, 1924, p. 225, note.

(3) Cf. *Le Temps*, October 29, 1934.

(4) *The Times*, November 19, 1935.

concessionaries. Where such concessions are granted they effectively exclude the foreigner in the field to which they apply. Foreign objections here are the more valid where the concession granted is very large. For instance, as regards the British Empire, there are complaints of the monopolistic rights enjoyed by the British South Africa Company in Northern and Southern Rhodesia.¹ The only restrictions on foreign capital in the Netherlands Empire apply to mining; foreign companies can only obtain mining concessions provided that they have their seat, and the majority of their directors dwell, in the Netherlands or Netherlands India.

*French,
Belgian and
Portuguese
Empires*

In the French colonies far-reaching restrictions are placed in the way of foreign capital, unless two-thirds of the control of the company is in French hands.² Partly, no doubt, as a consequence of this exclusive policy, the considerable resources of the French colonies are relatively unexploited.³ Despite the provisions of the Berlin and St. Germain Conventions, investment in the Belgian Congo is also very largely restricted to nationals of the mother country, although there is a certain amount of British capital invested in the colony, particularly in the productive Katanga mines. In the Portuguese colonies restrictions have not prevented the influx of foreign capital (British, French, Belgian and American), particularly into Angola. Mozambique is still very little developed; but there, too, there are some British investments.

*Japanese
Empire*

*British
Dominion
C Mandates*

In the Japanese Empire, as in the French, foreign capital is not welcomed. The Italian and Spanish possessions offer little attraction to investors in any case. There remain the mandates of the British Dominions. Since these have C status there is no specified obligation to preserve the Open Door for purposes of investment. But the "principle of disinterestedness" is such a fundamental feature of mandatory government that infractions of the Open Door are severely criticized. Thus the decision of the Governments of Great Britain, Australia and New Zealand to monopolise and share between themselves in agreed proportions the products of the valuable phosphate deposits of the Pacific island of Nauru provoked severe criticism at Geneva.

Where the restrictions are negligible foreign investors may be deterred by a preference for investment under the national flag, by government pressure to this end, or by exchange restrictions. On the other hand, the nationals of some countries have

(1) See C. K. Leith and others: *Elements of a National Mineral Policy*, New York, 1933, p. 75.

(2) C. K. Leith and others. *Op. cit.*, p. 74.

(3) Cf. H. Hauser, *La Paix Economique*, pp. 52-3.

in recent years preferred foreign investment as offering greater security.

(iii) INTERNATIONAL RESTRICTION SCHEMES.

Commodity control schemes indirectly restrict access to raw materials in so far as they cause a rise in prices. Potentially, they are also open to criticism in that they give rise to the dangers of monopolistic control. But the criticism that they discriminate against manufacturers in purely consuming countries does not appear to be justified, although it may be noted that any rise in price is more serious for a country which has to pay in foreign exchange than for one which can pay in its own or in a linked currency.

Before the war there were few control schemes, although they were not entirely unknown. But since the war they have become an inherent and an important part of the world's economic system, schemes having at one time or another been applied to the following industrial raw materials: rubber, tin, potash, nitrates, copper, lead, zinc, wood-pulp, sawn wood-goods, cotton, aluminium and steel.¹ A short survey of the more important schemes is given in Appendix IV. Here all that is relevant is the trend of their effect on the consumer.

*Reasons
for their
establishment*

A distinction should be drawn between two main reasons which have prompted the establishment of these schemes: (i) the immense expansion of productive capacity during the war, and (ii) the sudden contraction of demand during the world depression.

(i) It may reasonably be argued that any attempt to share the shrunken post-war markets between high and low cost producers was illegitimate, and that the proper course would have been to adjust supply to demand by the competitive elimination of the former. On the other hand, the argument against this course is that a long period of dislocation and price instability would have been unavoidable while the necessary adjustments were working themselves out.

(ii) But the more recent schemes must be judged in a completely different light; for "what is wanted here is to enable the whole body of the existing producers to weather the storm, so that there may be no destruction of capacity which will again be required when the demand recovers to its former level, as it may reasonably be expected to do in due course."²

(1) Amongst the foodstuffs, coffee, sugar, tea and wheat have been subjected to restriction.

(2) "Artificial Control Schemes and the World's Staples," J. W. F. Rowe. *Index*, April, 1935, p. 83. (Published by the Svenska Handelsbanken, Stockholm.)

But even where there are good reasons for the establishment of control, a restriction scheme is only justifiable if it is worked with due regard to the interests of the consumer ; and the promoters of those schemes soon learnt that there are at least three possible checks to the effectiveness of a short-sighted policy, namely : (1) expansion of output by low-cost producers outside the scheme (cf. Stevenson scheme (rubber), Copper Exporters Incorporated (copper)) ; (2) increased use of substitutes (e.g. aluminium in place of tin) ; (3) " recovery " of used materials (cf. Stevenson scheme).

The early policy of starving the market was also responsible for accusations of unfair discrimination, and in fact for the general indictment of control schemes. Sometimes the accusation was justified, sometimes not. For instance, the United States levelled this criticism at the British Empire over the Stevenson rubber scheme. It is true that the United States, as the largest consumer of rubber, suffered severely from the sudden rise in price, just as American consumers had formerly benefited from the abnormally low price ; but there is no more evidence of discrimination in the one case than in the other. All consumers suffered alike, whether British or American. On the other hand, one of the reasons for the failure of the first copper control scheme, which was in the hands of an American body (Copper Exporters Inc.), was that Copper Exporters Inc. began to discriminate in favour of American consumers.

In the more recent schemes attempts have been made to avoid the mistake of disregarding the interests of the consumer. Clearly he is compelled to pay somewhat more for his material, but as against this he benefits considerably from the establishment of a relatively stable price-level. Moreover in the new-model tin (1933) and rubber (1934) schemes, consumers' panels have been appointed to advise in working the control ; and an endeavour has been made to expand the available market by including in the schemes provision for research into new uses for the material.

In fact, the new tin and rubber schemes represent a nearer approach than did their predecessors to the ideal scheme envisaged by the World Economic Conference of 1933 :

" It should be fair to all parties, both producers and consumers ; it should be designed to secure and maintain a fair and remunerative price level ; it should not aim at discriminating against a particular country, and it should as far as possible be worked with the willing co-operation of consuming interests in importing countries who are equally concerned with producers in the maintenance of regular supplies at fair and stable prices."

CONCLUSION

*Requirements
for successful
solution*

The facts set out in the preceding sections of this memorandum provide a basis on which to judge how far the purely *economic* difficulties of the dissatisfied Powers could be cured or mitigated by the colonial adjustments to which they lay claim. But as has been stated before, economics are only one side of the picture : considerations of prestige, strategy and psychology are also important, and no solution can be successful unless all these aspects are taken into account.

*Economic
facts to be
borne in
mind*

But when considering the economic side, certain points which emerge from this survey of the facts must not be lost to view. Undoubtedly direct restrictions upon the access of non-colonial States to colonial raw materials are a source of irritation to those States, but such restrictions are not at present far-reaching or important. They are a potential, not an actual barrier. Access is hampered far less by them than by the indirect restriction caused by the failure of international trade to revive. This source of trouble is world-wide, not colonial in scope (for instance, the removal of discrimination against Italian, German and Japanese goods in all the colonial territories in the world would probably be of less net advantage to them than a lowering of the United States tariff), and it appears to follow that the chief remedies must be sought farther afield than in mere colonial readjustment.

Moreover, as the review of the remaining non-self-governing areas of the earth has shown, colonial areas represent—except in the case of rubber—only a small proportion of the world's industrial raw material production. Natural resources are very unevenly distributed over the earth's surface, and if the method of colonial adjustment alone be adopted to meet the economic needs of the dissatisfied powers, it seems that it might involve exploitation on a scale which is incompatible with the interests of the present inhabitants of the territories.

*Solutions so
far proposed*

At the time of writing, there is a growing consciousness that peaceful change is the alternative to serious trouble, and the British press and numerous pamphlets published by well-known writers are full of suggestions for possible colonial change, some of which ignore or under-estimate certain of these important economic facts.

The proposals made range over a wide field, and it is perhaps useful to summarise them here with an indication of the chief criticisms levelled at each.

*Transfer of
colonies or
mandates*

1. Some thinkers advocate transfer of territory. For instance, Lord Lothian, speaking to the National Peace Council Conference on *Peace and the Colonial Problem* stated that he "would not rule out the possibility . . . because if so other nations will never take our declared willingness to consider revision seriously."¹ But the step is condemned by others. Lord Lugard, for example, considers that it would be unjustifiable except in the case of "willing consent, or at least complete indifference on the part of the natives concerned."² Mr. Leonard Barnes rules it out as "based on a false psychological approach, since it perpetuates the notion that colonial 'swag' is a legitimate possession only needing fair distribution among the 'robbers.'"³

On more strictly economic grounds; others point out that peaceful transfer might not mitigate foreign exchange difficulties to the extent imagined. On the one hand the savings in foreign exchange which a state would achieve by acquiring resources within its own currency area would be offset by the liabilities incurred in the assumption of the colony's existing public debt and in payment of compensation to existing concerns which might have to be bought out. On the other, guarantees would have to be given to the native population, which might deprive the territory of much of its attraction from the point of view of rapid exploitation of resources.⁴

In any case the facts given in the present memorandum make it clear that the territories whose transfer is usually envisaged could not furnish the raw materials required.

*Creation of
International
Mandates*

2. Another school of thought advocates transfer not to foreign but to international hands—to an international authority acting for the League, and representing the dissatisfied as well as the present colonial Powers. Mr. J. L. Hammond⁵ suggests that

- (1) Report of Proceedings. National Peace Council, October, 1935, pp. 12-13.
- (2) "The Basis of the Claim for Colonies." *International Affairs*, January-February, 1936, p. 14.
- (3) *The Future of Colonies*, Hogarth Press, 1936, p. 35.
- (4) Cf. Herr Hitler to the National Socialist Students Association, Munich, January 26, 1936: "The white race is destined to rule. It has the unconscious urge to rule. This urge arises from its heroic conception of wealth, which is entirely non-pacifist. After all, what a great statesman said is true, that the British Empire was built up by adventurers. To-day American professors dispute the justification of this conception, but when the white race abandons the foundations of its rule over the world it will lose that rule. It is a rule which is the basis of the European economic structure."
- (5) *Manchester Guardian*, October 7 and 8, 1935, and speech reported in the same paper on February 4, 1936.

"one by one the problems of colonies should be detached from the rivalries of nations and put under international control" administered by an international civil service responsible to the League of Nations. Professor Arnold Toynbee¹ advocates change along the same lines, contending that a beginning should be made with the transfer of particular services: "Another innovation . . . would be the transfer of certain selected administrative services from the hands of the local sovereign to those of the League of Nations itself, with the proviso that these services should be staffed, and this not as a favour but as of right, by nationals of Powers other than the local sovereign up to some agreed percentage of the total personnel."

Here again other thinkers raise objections: Lord Lugard agrees with Professor Toynbee's point, but feels that though Mr. Hammond's wider suggestion is a "great and attractive idea," experience both in the colonies and on the Mandates Commission proves it to be unworkable in practice, chiefly for lack of a "common standard." "Government by committee is at best unsatisfactory, as the condominium of two experienced colonial Powers has shown alike in Egypt and in the New Hebrides . . ." He argues that success is still less likely if one presupposes a condominium of several Powers, for "the native policies of the Powers vary greatly and no device could be more sure of generating friction. In point of fact the officer appointed as Governor would dictate the policy and his nation . . . would become *de facto* mandatory."² Moreover, the policy of the local administrator would tend to be that of the nation to which he belonged and would be "liable to change when he was succeeded by another."³ He adds that "it is very doubtful whether such a scheme, even if practicable, would satisfy the *amour propre* of claimants for colonies in their own right." Mr. Leonard Barnes considers the proposal impracticable for the same reasons.

Extension of
national
mandates
system

3. A third constructive suggestion advocated amongst others by Sir Arthur Salter,⁴ Professor Norman Bentwich⁴ and Mr. Barnes⁵ is that the imperial Powers should offer to bring their colonies under a mandate system—*i.e.*, to administer them themselves "not in exercise of the old arbitrary imperialism, but as agent for the League and in accordance with provisions defined in a League mandate. Those provisions would include, amongst others, the four key-provisions of the present B mandates, *viz.*,

(1) "Peaceful Change or War?" *International Affairs*, January-February, 1936, p. 48.

(2) "Africa and the Powers," *The Times*, September 29, 1935.

(3) *International Affairs*, January-February, 1936, p. 16.

(4) *Peace and the Colonial Problem*, pp. 5-10 and 23-30.

(5) *The Future of Colonies*, p. 37.

that the well-being of native peoples should be treated as a primary trust ; that the Open Door should prevail ; that there should be no militarisation either of population or of territory, and that there should be an annual examination of the mandatory by the Mandates Commission.”¹

Professor Bentwich and Mr. Barnes both add to this proposal one important stipulation : that if it is to work, the Mandates Commission needs fuller powers than it at present enjoys, notably that members of the Commission should no longer derive their evidence solely from the report of the mandatory, but that they should be empowered to make tours of inspection in the territories under mandate. An objection raised to this is that it would be unwise to empower one particular member, visiting the territory for a comparatively brief period, to speak and judge for the Commission.²

Mr. Barnes also points out that the colonial Powers, when turning their colonies into mandates, would be unwise were they to do so without demanding some return ; they “ should bargain as hard as they can to secure a *quid pro quo* no less calculated to strengthen the foundations of a durable peace. And the *quid pro quo* asked for should comprise the return of Japan and Germany to the League, and the agreement of all the dynamic (*i.e.*, dissatisfied) Powers (*a*) to work the trusteeship principle in terms of the suggested reforms in the mandate system ; (*b*) to sign a disarmament convention, and (*c*) to enter into a system of co-operative defence.”³

*The opening
of the
Colonial
door*

4. Lord Lugard holds that if the sole object to be gained is equality of economic opportunity, the cost and complication of converting present colonies into mandates administered by their present suzerains is unnecessary, since the same end can be met by opening the colonial door.⁴

He further suggests that some suzerains might prefer this system, some the transfer solution, and points out that the two methods are not mutually exclusive.⁴

“ While I am convinced that foreign Powers would emphatically decline to place their colonies under mandate, I have gained the impression, from conversations and other indications, that some Colonial Powers in Africa, not having made such pledges as have the British, would not lay the same stress on the consent of the Natives to a change of the mandatory, and would prefer to surrender a mandate provided

(1) *The Future of Colonies*, p. 37.

(2) Cf. Lord Lugard, *International Affairs*, January-February, 1936, p. 25.

(3) *The Future of Colonies*, p. 45.

(4) *International Affairs*, January-February, 1936, pp. 13-15.

they received adequate compensation for foregoing their rights. If they are right in thinking that the inhabitants would be indifferent to the change, and if the present mandatory preferred to surrender its mandate rather than to adopt the "economic equality" regime in all its colonies, the two methods in combination might perhaps provide an effective solution."

The Open Door is not a synonym for free or even freer trade ; it simply means that the tariff, high or low, is the same to all. A concrete proposal for equality on a low tariff basis is made by Mr. Leonard Barnes, who suggests that the British Empire as a whole, which, together with other countries linked to sterling, forms a vast economic group—is in a position to give an effective lead by forming an Empire low tariff group *open to other countries to join on the same terms.*¹

Formation of Chartered Companies with wide powers

5. Yet another proposal is for "the establishment of one or several chartered companies authorised to operate in the colonial field in the interests of the present "have-not" countries with a complete disregard to the old "trade-follows-the-flag" slogan."²

It is argued that transfer of territory cannot fulfil economic needs since "nature has distributed raw materials so unevenly over the world that in a single area, extensive though it might be, very few of the essential commodities might exist." The proposal involves the allocation to such companies of undeveloped land within the colonial territories. But to fulfil the various economic requirements "such areas should be large enough to give them the character of more or less self-governing and self-supporting provinces, affording possibilities for general economic activity and invested with the right of minor jurisdiction, the issue of their own coins for internal circulation and control over their own policy and police." One flaw in the proposal is that so long as the currencies remain unstabilised, it affords no solution to the foreign exchange problem except to the country to whose currency the "coins for internal circulation" are linked, which country is immediately at an advantage over all its fellows.

International Guarantee of Free Access

6. Whatever the course adopted in the matter of colonial administration, Sir Arthur Salter feels that much could be gained by some guarantee of perpetual access to all raw material sources. "I think it would be desirable that there should be a general international convention guaranteed by all the great colonial

(1) *The Future of Colonies*, p. 16. The italics are ours. Since going to press, Mr. Amery (*The Times*, April 15, 1936) has suggested that the European nations west of Russia should, with their colonies, successfully co-operate in a system of mutual preference, and should abandon most-favoured-nation rights for this purpose.

(2) See Dr. Edgar Stern-Rubarth in the *Spectator*, February 14, 1936.

Powers guaranteeing that at all times raw materials should be supplied on equal terms to all purchasers, and that even in war time there should be no interferences with that supply except by collective action for the enforcement of international covenants.”¹ In other words, Sir Arthur Salter advocates a return not to Free Trade but to non-discrimination in all territories, colonial or other, the only case where discrimination is legitimate being that of the application of economic sanctions.

This proposal is frequently countered with the contention that it has been brought forward before, often in more favourable conditions than the present, and that it has always proved abortive. This is no argument against it, though the past history of the project is, with one exception, depressing.²

*History of
earlier efforts*

The Italian draft for a League Covenant stated that “the international distribution of the foodstuffs and raw materials required to sustain healthy conditions of life and industry must be controlled in such a way as to secure for every country whatever is indispensable to it in this respect.” A special committee of the Peace Conference³ debated raw materials, but led to no practical results and the Supreme Economic Council, and other international bodies meeting in 1919-20, got no farther than recommending a removal of the artificial economic barriers which were the result of the war. The question was also brought up, again on Italian initiative, at the first Assembly.

In pursuit of a League Council resolution of October, 1920, an extensive enquiry into the question of access was undertaken by the League of Nations in 1921. Two comprehensive questionnaires were circulated and the results were co-ordinated in a report compiled by a body of experts headed by the Italian Professor Corrado Gini.⁴

On the basis of this investigation, the Economic and Financial Committee recommended a number of immediate remedies for the existing abnormal conditions, but pronounced against any international office for the distribution of raw materials in view of “insuperable difficulties involved in organising it and its probable inefficacy even if put into operation.”⁵ The Committee also enunciated the following general principles:—

(1) *Peace and the Colonial Problem*, p. 10.

(2) For a summary of the period 1919-27, see Wallace and Edminster, *International Control of Raw Materials*, pp. 318-343.

(3) See H. V. Temperley, *History of the Peace Conference*, pp. 66-84.

(4) *Report on Certain Aspects of Raw Material Problems*. League of Nations Document, C. 51, M.18, 1922.

(5) Wallace and Edminster, *op. cit.*, p. 325.

" There is no question of challenging the incontestable right which States have to dispose freely of their natural resources, or of the output of their countries in respect of raw materials. It is legitimate that in exceptional circumstances they should be anxious to reserve them to themselves, and that they should have the power to subject them, at any time, to a régime in conformity with their natural economy. But it is not less incontestable that raw materials produced by one country being in many cases essential to the economic life of other States should not, unless in exceptional cases, be the object of restrictions or of differential regulations of such a nature as to injure the production of such States, or to impose upon them a systematic inferiority. It is undesirable particularly that measures of restriction taken by producing countries to meet exceptional situations should be so prolonged or altered as to change their character and from being acts of precaution or defence to degenerate into measures of economic aggression."

The question of raw materials again arose at the International Economic Conference of 1927. But the Convention for the Abolition of Import and Export Prohibitions and Restrictions which it drafted, and which was adopted by the diplomatic Conference which followed it, never received the full number of accessions necessary for entry into force.¹ The specific question of access to raw materials was again raised by the Italian delegate to the League Assembly of 1929², but without result. As is well known, the World Monetary and Economic Conference of 1933 (which dealt with certain aspects of the raw materials question during its work upon production and marketing) met with no more success.

*Guarantees
regarding
specific raw
materials*

But out of the 1927 Economic Conference sprang one successful agreement which may provide a pointer to a way in which progress might be made. Agreement was reached upon the question of access to two specific commodities—hides and skins, and bones. (The agreement covered the abolition of prohibitions and restrictions and of export duties, other than "statistical duties" imposed for greater accuracy in checking the volume of trade). The existence of this agreement lends strength to the view that international guarantees covering access to specific raw materials are workable in practice.

This summary of past history shows that attempts at achieving international economic agreements regarding raw materials or the lowering of trade barriers have so far met with little success ; at the same time, the facts set out in the body of the memorandum

(1) See *Survey of International Affairs*, 1929, pp. 109-111.

(2) See speech by M. Scialoja, *Minutes of the Ninth Plenary Meeting*, September 9, 1929.

seem to indicate that, from the strictly economic point of view, any colonial changes must be of limited efficacy.

Further, in considering what can be done to compensate for the uneven distribution of national resources, a point which is sometimes forgotten is that even "if one could re-arrange the map of the world so as to make each nation relatively self-sufficient to-day, it would probably cease to be so in a few years time owing to changes of invention or changing needs."¹ But, while due weight must be given to these economic drawbacks, it does not necessarily follow that all consideration of colonial adjustments is idle.

For the economic side of the claim for colonies must be viewed in its proper relation to the psychological aspect. The fact must be faced that the claim exists, based on a lack of certainty of continued access to sources of supply, which, combined with motives of prestige and strategy, creates a desire for possession. If the colonial Powers decide to ignore this claim, they would appear to lay themselves open to trouble; in the words of Dr. Goebbels: "it is dangerous for the world not to concede such demands, because some day the bomb will explode."²

But undoubtedly the dissatisfied Powers tend, consciously or unconsciously, to overestimate the economic advantages of colonial change; as has been shown, the cure for their difficulties is world-wide rather than colonial in scope. Adjustment in the matter of access to colonial resources is a step towards easing their situation, but it is instilling a false hope to argue that the whole solution lies that way. This important point was emphasized by Mr. Eden in his maiden speech as Foreign Secretary:

"I must make it clear that His Majesty's Government have in no way withdrawn from the proposal of Sir Samuel Hoare on the question of access to colonial raw materials. They are perfectly willing at any time to enter into an examination of this subject, and they think that such an examination could usefully be held at Geneva. The appropriate moment, however, for such an examination must clearly depend on many factors, including the attitude of other Powers towards the proposals. Useful though we believe such an examination would be, I think that the House would be mistaken if we were to imagine that from a pursuit of it we should discover some magic touchstone for all our ills."³

(1) Sir Norman Angell, *Raw Materials, Population Pressure and War*, World Peace Foundation, 1936, p. 11.

(2) Speech to the Berlin Branch of the National Socialist Party, January 17, 1931.

(3) Speech in the House of Commons, *Hansard*, February 24, 1936, coll. 82-83.

APPENDIX I.

BALANCES OF PAYMENTS OF GERMANY, ITALY AND JAPAN.

GERMANY,¹
(Rm. 000,000.)

	1929			1932		
	Credit. (Exports)	Debit. (Imports)	Balance.	Credit. (Exports)	Debit. (Imports)	Balance.
Merchandise	13,632	13,676	-44	5,834	4,782	+1,052
Shipping, Insurance, etc.	2,257	1,545	+712	1,163	898	+265
Interest... ..	400	1,200	-800	200	1,100	-900
Reparations	—	2,337	-2,337	—	160	-160
			-2,469			+257
Gold and Foreign Exchange	510	345	+165	256	—	+256
Capital movements ...	4,423	2,119	+2,304	786	1,299	-513

ITALY,²
(000,000 Lire.)

	1929			1932		
	Credit. (Exports)	Debit. (Imports)	Balance.	Credit. (Exports)	Debit. (Imports)	Balance.
Merchandise	15,236	21,665	-6,429	6,811	8,257	-1,446
Interest and Dividends (net)	—	1,050	-1,050	—	500	-500
Shipping and Freights...	1,690	555	+1,135	?	?	+500
Tourist Expenditure ...	2,418	316	+2,102	1,000	170	+830
Emigrant Remittances	2,350	230	+2,120	?	?	+910
Reparations in cash ...	231	—	+231	—	—	—
Other items	420	—	+420	150	—	+150
			-1,471			+444
Gold	10	242	-232	15	90	-75

JAPAN,³
(INCLUDING KOREA AND FORMOSA.)
(000,000 Yen.)

	1929			1933		
	Credit. (Exports)	Debit. (Imports)	Balance.	Credit. (Exports)	Debit. (Imports)	Balance.
Merchandise	2250·2	2413·9	-163·7	1966·0	2045·9	-79·9
Interest and Dividends	102·4	122·2	-19·8	92·6	143·6	-51·0
Shipping and Freights...	222·1	0·9	+221·2	212·6	2·9	+209·7
Other services	255·2	273·9	-18·7	333·1	402·5	-69·4
			+20·0			+9·4
Gold	—	0·6	-0·6	34·7	—	+34·7
Capital movements ...	427·2	484·1	-56·9	278·6	524·8	-246·2

(1) *Wirtschaft und Statistik*, 1934. Sonderheft No. 14.

(2) *Economic and Financial Position of Italy*: R.I.I.A., 1935.

(3) *Balances of Payments* (1933) and *Balances of Payments* (1934): League of Nations.

APPENDIX II.

TRADE BY CATEGORIES OF COMMODITIES: SEVEN GREAT POWERS.

	IMPORTS.					EXPORTS.				
	I Live Animals	II Food- stuffs	III Raw Materials and semi- manufac- tured goods	IV Manu- factured Goods	V Gold and Silver	I Live Animals	II Food- stuffs	III Raw Materials and semi- manufac- tured goods	IV Manu- factured Goods	V Gold and Silver
	%	%	%	%	%	%	%	%	%	%
	UNITED KINGDOM									
1929	1·6	40·1	32·4	19·9	6·0	0·3	5·7	14·4	69·0	10·6
1933	0·9	34·4	24·1	11·1	29·5	0·1	5·6	15·9	63·2	15·2
	U.S.A.									
1929	0·5	21·2	46·8	24·0	7·5	0·1	13·6	38·9	44·0	3·4
1933	0·1	26·5	40·1	22·7	10·6	0·1	9·7	45·5	29·3	15·4
	U.S.S.R.									
1929	1·4	8·3	52·6	37·7	?	0·3	24·3	65·0	10·4	?
1933	3·9	4·5	39·5	52·1	?	—	22·7	63·6	13·7	?
	FRANCE									
1929	0·4	19·6	51·7	15·3	13·0	0·7	11·9	20·9	66·1	0·4
1933	0·6	20·7	29·2	11·3	38·2	0·1	9·1	11·5	41·3	38·0
	GERMANY									
1929	1·1	27·3	51·5	16·2	3·9	0·2	5·0	18·5	69·2	7·1
1934	0·7	22·6	54·9	15·8	6·0	0·1	2·5	16·9	69·8	10·7
	ITALY									
1929	2·3	20·4	49·6	26·5	1·2	0·1	24·7	21·1	54·1	—
1933	1·4	13·3	46·4	23·3	15·6	0·2	32·9	18·2	47·5	1·2
	JAPAN									
1929	0·2	21·1	57·5	21·0	0·2	0·1	9·2	37·8	52·7	0·2
1932	0·2	25·9	55·7	16·7	1·5	0·1	8·9	27·1	56·9	7·0

Source: *International Trade Statistics, 1934*, League of Nations, 1935.

APPENDIX III.

DIRECTION OF TRADE OF A AND B MANDATED TERRITORIES.

A MANDATES.

SYRIA (FRENCH).

1934

<i>Imports from—</i>	%	<i>Exports to—</i>	%
France	14·0	France	11·6
United Kingdom ...	14·3	Palestine and Iraq	50·0
Japan	10·6	U.S.A.	7·7
Turkey	8·5	Egypt	4·5
U.S.A.	6·7	United Kingdom ...	4·2
Germany	5·5	Turkey	4·2
Italy	5·5	Italy	3·2
		Germany	2·6
		Japan ... ..	...negligible

Total Imports : French francs 736,649,000.

Total Exports : French francs 311,288,000.

PALESTINE (BRITISH).

1934.

<i>Imports from—</i>	%	<i>Exports to—</i>	%
United Kingdom ...	19·5	United Kingdom ...	55·4
Germany	10·9	Germany	18·7
U.S.A.	8·5	Syria	6·9
Syria	7·1	Italy	0·6
Italy	3·1	Japan ... ..	...negligible.
Japan	3·9		

Total Imports : £P15,152,781.

Total Exports : £P 3,217,562.

B. MANDATES.

TANGANYIKA (BRITISH).

1934.

<i>Imports from—</i>	%	<i>Exports to—</i>	%
United Kingdom ...	27·6	United Kingdom ...	20·5
Other British Possessions ...	19·7	Other British Possessions ...	36·4
Japan	22·3	Japan	2·2
Germany	9·8	Germany	11·7
Italy	0·6	Italy	5·8

Total Imports : £2,343,185.

Total Exports : £2,856,589.

CAMEROONS (BRITISH).¹

1934.

<i>Imports from—</i>	%	<i>Exports to—</i>	%
United Kingdom ...	19·5	United Kingdom ...	6·2
Germany	42·5	Germany	79·8
India	7·0	French Possessions and Mandates ...	10·0
U.S.A.	4·4	Japan ... ..	...negligible
Japan	4·4	Italy ... ..	...negligible
Italy ... ..	...negligible		

Total Imports : £113,013.

Total Exports : £193,322.

(1) The trade of the British Cameroons is included in the figures for Nigeria ; the above relates to the overseas trade of the ports of Victoria and Tiko only.

CAMEROONS (FRENCH).

1934.					
<i>Imports from—</i>		%	<i>Exports to—</i>		%
France	...	25·8	France	...	52·2
United Kingdom	...	17·0	United Kingdom	...	3·5
U.S.A.	...	12·1	U.S.A.	...	4·2
French Colonies	...	9·6	Netherlands	...	16·8
Germany	...	7·7	Germany	...	12·6
Belgium	...	3·1	Belgium	...	2·1
Total Imports:			French francs 58,713,000.		
Total Exports:			French francs 72,528,000.		

FRENCH TOGO.

1934.					
<i>Imports from—</i>		%	<i>Exports to—</i>		%
France	...	15·1	France	...	47·0
United Kingdom	...	39·0	United Kingdom	...	8·0
U.S.A.	...	9·1	U.S.A.	...	5·1
Germany	...	5·9	Germany	...	23·2
Japan	...	3·8	Spain	...	1·0
Netherlands	...	3·0	Netherlands	...	5·8
Belgium	...	1·6	Belgium	...	1·8
Total Imports:			French francs 32,200,000.		
Total Exports:			French francs 28,061,500.		

BRITISH TOGO.

Percentages for Togo (British) are omitted in view of the negligible volume of its foreign trade.

1934 Total Imports: £14,480.

1934 Total Exports: £78,143.

RUANDA-URUNDI (BELGIAN).

1934.					
<i>Imports from—</i>		%	<i>Exports to—</i>		%
Belgium	...	18·5	Belgium	...	93·4
Japan	...	34·5	Tanganyika	...	6·2
Tanganyika and Uganda	...	10·5			
United Kingdom	...	9·0			
U.S.A.	...	7·7			
Dutch East Indies	...	6·7			
Germany	...	6·6			
Italy	...	0·8			
Total Imports:			Belgian francs 26,610,291.		
Total Exports:			Belgian francs 23,834,745.		

The source is in each case the latest issue of the report of the Mandatory Power.

APPENDIX IV. SUMMARY OF THE PRINCIPAL INTERNATIONAL RESTRICTION SCHEMES.

(The Information Department is indebted to Mr. F. Ashe Lincoln for the material in this Appendix).

Rubber

The situation in 1922 which led to the British rubber restriction scheme was essentially created by the severe decline in the demand during the post-war slump. Immediately after the war a first attempt had been made at restriction, which was merely a voluntary reduction of output by the producers of the British Empire. But a weakening demand for rubber, together with increased output from the Netherlands East Indies, led to a steady decline in prices, until the low level of 10d. per lb. was reached in 1921.

The
Stevenson
Plan

In response to an appeal from rubber growers, the Colonial Office then appointed a committee under the chairmanship of Sir James Stevenson, which evolved the famous Stevenson Scheme. The scheme had to be worked without the co-operation of the Dutch or the French, who were at the time unwilling to consent to the proposed restrictions. Its immediate object was to raise and maintain prices at about 1s. to 1s. 6d. per lb., and in this it was so successful that by the end of 1925 the price had risen to 4s. per lb. and world stocks were falling rapidly.

But meanwhile, the rise in prices had encouraged the use of reclaimed rubber, and of synthetic rubber and other substitutes in the U.S.A., the world's largest consumer. Moreover, the production of the native planters in the Netherlands East Indies was stimulated to such an extent that it became clear that the only effect of British restriction was to give these rivals an increased share in the world's markets and revive the problem of over-production. These two factors combined to depress the price to 1s. 8d. per lb. in 1926, and to 1s. 4½d. in 1927, and in November, 1928, the British Government abandoned the scheme. The price then fell to 8½d. per lb., by which time the British share of the world market had fallen to 52 per cent.—an unhappy contrast with the 1921 share of 75 per cent.¹

The present
scheme

No further restriction scheme was attempted until 1934. Meanwhile the price had fallen to a new low level of 1½d. per lb. This unremunerative price made the Netherlands producers amenable to negotiation and in April, 1934, a new restriction scheme was announced "to reduce world stocks to a normal figure by adjusting the supply to the demand, and to maintain a price that would be a reasonable remuneration to efficient producers." Following successful negotiations between private producers, an agreement was signed between the Governments of Great Britain, India, the Netherlands, France and Siam. The scheme was to be administered by an International Rubber Regulation Committee (a governmental body) with power to determine the production quotas to be exported from the various countries. An important departure in principle from previous schemes was the provision that consuming interests might be invited to serve on the Committee, though in an advisory capacity only. Another feature of the plan was stimulation of research by the Rubber Growers' Association, in close co-operation with the International Rubber Committee, with the object of discovering new uses for rubber and thus widening the basis of demand.

(1) An account of the Stevenson Scheme is given by H. V. Hodson in the *Survey of International Affairs* for 1930, pp. 473-7.

The effect of the plan has not been spectacular, as the world price has only risen to about 7½d. This is probably due to the fact that the large accumulated stocks at the time of the introduction of the scheme in June, 1934, have not been dealt with by any pooling arrangements, their absorption having been left to the ordinary activities of the market. Another difficulty has been the failure to exercise adequate control over Dutch native production, which necessitated an expansion in 1935 of the quota allocated to the Netherlands East Indies.¹

The present tin scheme dates back to an agreement in 1931, between the Governments representing 90 per cent. of the world's producers, to restrict output on a quota basis and to set up a pool to deal with accumulated stocks.² The importance of this scheme lay in its reduction of stocks, and consequent effect upon the world price, which from £118 per ton in February, 1931, at one time rose to £245. But the rising price so stimulated the use of aluminium that the market for tin was seriously affected.

In October, 1933, the agreement was renewed by a treaty between the Governments of the tin producing countries establishing a scheme operative for three years from January 1st, 1934. The signatories were Bolivia, Malaya, the Netherlands Indies, Nigeria, and Siam, but certain other small producers later (July, 1934) adhered to the plan, namely, Great Britain (Cornwall), Portugal, Indo-China and the Belgian Congo. The remainder of the world's tin is accounted for by Spain, Burma, China, Japan, Australia, and South Africa.

Under the new scheme of 1933, the consumer is represented on a tin consumers' panel acting in consultation with the International Tin Committee of producer Governments. Further, an International Tin Research and Development Council, endowed by funds collected as a levy on production by the Governments participating in the control scheme, has been established "to discover and develop new applications of tin." Another feature of the scheme during 1934-5 was the buffer stock or pool managed by a sub-committee of the International Tin Committee; this was all sold out by October, 1935.

So far as producers' interests are concerned, the scheme worked successfully during 1934, maintaining the price at about £230 per ton. During 1935 there was a slight drop to £225; there was at the same time a fall in world stocks. But it would seem that the International Tin Committee has experienced some difficulty in estimating the requirements of the consumer. The curtailment of supplies resulting from the 1934 quota led to such a rapid depletion of world stocks as to create an acute shortage of available market supplies. As a result there have been marked fluctuations in the production quotas permitted by the Committee, which jumped from 45 per cent. of the maximum in June, 1935, to 90 per cent. in January, 1936.³ These rapid changes in the quota figure have not only endangered the stability of the scheme, but have proved dangerous from the consumers' point of view, since there is necessarily a lapse of about three months before a quota change is reflected in supplies.

There is also by no means complete agreement that the price of £230

(1) The origin of the present rubber scheme is discussed in *Commodity Control in the Pacific Area*, Institute of Pacific Relations, 1935. For further details see the monthly Statistical Bulletins of the International Rubber Regulation Committee, and *Rubber Regulation*, Rubber Growers' Association.

(2) Cf. *Tin: World Statistics*, 1932, Anglo-Oriental Mining Corporation, pp. 5-9.

(3) Reduced to 85 per cent. as from 1st April.

is ideal from the consumers' point of view. Critics of the scheme take the view that the maintenance of a price of over £200 per ton can only be obtained by starving the market and that in any event, £200 per ton or over is too high a price to secure the consumer's goodwill.

The case for control is summed up in the fact that the productive capacity of the industry exceeds 200,000 tons per annum, whilst consumption in 1935 was still only 140,000 tons, compared with 175,000 tons in 1929.¹

Copper

The first effort at copper regulation was the formation in the United States of America in 1926 of Copper Exporters, Incorporated. Voting power in this organisation was restricted to the U.S.A. producers, though foreign producers could become associate members, and in fact the body developed into what amounted to an international cartel controlling 90 per cent. of world production. It began to break up in 1929, when, to placate American Customs smelters, Copper Exporters Inc. granted them a price preference. But this concession did not prevent the smelters from supplying London at cut prices, and the Cartel, rendered inoperative, was dissolved in 1932.

The cartel raised the price of copper to a level at which high cost producers could operate at a profit (from 12.9 cents per lb. in 1927 to a peak of 24.38 cents in 1929), but not unnaturally resulted in an increased use of substitutes, notably aluminium. At the same time it encouraged the development of copper deposits outside the United States, who lost her dominance of the world market. She produced nearly 50 per cent. of world mine production in 1929, but less than 17 per cent. in 1934, the ground being gained by Canada, Northern Rhodesia and the Belgian Congo.

An attempt to form a new Cartel in 1932 was not successful, but in March, 1935, an agreement was reached for the control of production, marketing and trade practices over a trial year from June 1st, 1935.² The three participating countries are Chile, Northern Rhodesia, and the Belgian Congo (who together accounted for 41 per cent. of world production in 1934) whilst exports from the United States are limited by a Gentleman's Agreement.³ The new restriction scheme has undoubtedly contributed to the recent rise in the price of copper. But the fate of Copper Exporters Inc. is not forgotten, and there may be some safeguard for consumers in the fact that "there is no desire anywhere to force prices up to a level at which substitute metals could become competitors."⁴

Potash

Before 1919 the production of potash was a German monopoly. But with the cession of Alsace, France gained some of the mines. In 1924, however, a Franco-German Cartel was formed, which governed the world market for some years.⁵

This cartel monopoly was finally upset by the discovery of rich potash deposits in other countries, notably Spain, Poland, the U.S.S.R., and the United States. The cartel was therefore extended as follows:—

(1) For further details of the tin scheme see *Economist*, February 1, 1936 and the *Statistical Bulletins* of the International Tin Research and Development Council.

(2) For fuller details of the two copper schemes, see *International Control of Raw Materials*, Wallace and Edminster, Brookings Institution, Washington, 1930; *Financial News*, March 29, April 2, 1935; *Economist*, November 2, 1935.

(3) Canada, whose copper is chiefly produced as a by-product of nickel production, has not formally adhered.

(4) Sir Auckland Geddes to the Copper Development Association, 1935.

(5) Cf. *International Control of Raw Materials*, Wallace and Edminster, Brookings Institution, 1930, pp. 76-121.

1. Poland was included on a 4 per cent. basis.
2. In April, 1935, Spain was included on a 14 per cent. basis. The details of the price fixing agreement have not been disclosed.
3. In December, 1934, it was rumoured that the U.S.S.R. had adhered to the cartel on undisclosed terms, but this is not confirmed by any Russian statement. (On the other hand Russian production only balances home demand at the moment.)
4. In 1935 an understanding was reached with American producers, but no details have been disclosed. Ostensibly, this was only a propaganda and research agreement, but it is an open secret that it governs sales as well.

At the moment the only producer of any significance outside the cartel is the Palestine Potash Company, which is exploiting the Dead Sea deposits, but the volume of production here is not yet sufficiently large to affect world markets.¹

Nitrates

Before the war Chile, the only producer of natural nitrates, had a monopoly of the world market. But, since nitrogen is of vital importance in the manufacture of explosives, most of the Great Powers equipped themselves with nitrogen-producing factories (in most cases State-aided), so that Chile now provides only 9 per cent. of the world supply. A result was that world production came to exceed world consumption.

The first Cartel was formed in 1928 by the three leading European producers, and this was extended in 1929-1930 to include Chile. In July, 1934, the first "World Nitrate Agreement" was concluded in Paris between all the European producers and Chile (the United States and Japan not participating). This Agreement granted Chile special import quotas in the domestic markets of the European synthetic producers, and in return Chile undertook not to start a price war by undercutting the synthetic producers in those markets. Chile also received as her quota in the remaining world markets the quantity of her actual exports in 1933.

This agreement came up for reconsideration in May, 1935. On August 2nd, 1935, the United Kingdom increased her import duties for some of the most important nitrogen fertilisers from 20 per cent. *ad valorem* to £4 per ton, which represented approximately 50 per cent. *ad valorem*. This was imposed, it was stated, because of the "problematic continuance of the international agreement." The effect of this step was to bring about a new agreement running for three years from July 1st, 1935. By this scheme the nitrogen factories in Belgium and the Netherlands were closed down, compensation being paid by all the remaining European synthetic producers. Price figures and quotas for the respective groups have not been divulged.²

Lead

The position of lead is at present very satisfactory from the producers' point of view. After many years of fluctuating prices the year 1934 found world production at last adjusted to demand and in early 1933 there was a noticeable reduction in world accumulated stocks. This trend was quickly reflected in a rise in world prices. In January, 1935, the average price was £10 6s. 5d. per ton. By May this had risen to

(1) *Financial News*, August 24, 1935.

(2) Cf. *Financial News*, September 25, 1935.

£14 13s. 9d. per ton and in July there was a further rise to £15. At the same time, spelter reached a peak price of £15 16s. 3d. per ton. For the first three months of 1935, production actually fell behind consumption, there being on the previous year's figures an increase in consumption of 20 per cent., while production only increased by $\frac{1}{2}$ per cent.¹ In order to further this desirable reduction in stocks the lead producers of Australia, Canada, Burma, America and Mexico (who together accounted for 68 per cent. of world production in 1934) agreed in July, 1935, that there should be no increase in production without due notice.² This agreement continues to govern lead production for the moment.

Other
Producers'
schemes

Aluminium is controlled by a cartel (the Alliance Aluminium Company), which includes all the large producers except the United States. The European *Steel Cartel* was greatly strengthened in 1935 by the adhesion of Great Britain. European supplies of *sawn soft woods* are controlled by the *Comité International du Bois*, which arose out of the appointment of a consultative committee of the League of Nations. The European output of *wood-pulp* is also controlled by a cartel, which includes Norway, Sweden, Finland and Germany.

Finally, "some negotiations have taken place during 1935 between the leading international oil, coal, and spelter producers, and in the Indian jute industry strenuous efforts are being made to unite all growers in that country. Down to the end of the year, however, no practical results had been achieved."³

Cotton

There is no international restriction scheme controlling the output of cotton. But for some years, and particularly since the New Deal was inaugurated, the United States has been following a policy of one-sided restriction, with the avowed object of raising world prices. The American producers still largely control the market for cotton of medium staple, and therefore this policy has some slight effect on prices; but this is partly offset by the increasing production of other countries, notably Brazil and India. Egypt is now the largest supplier of long staple cotton.

Petroleum

At first sight the possibility of an international petroleum restriction scheme would appear to be considerable. The two largest producers are the United States and the U.S.S.R. But outside these two countries, production is very largely in the hands of the three great international oil companies—the Standard of New Jersey, Royal Dutch Shell and Anglo-Iranian. The first two divide between them the control of output from South America (notably Venezuela), Mexico and the Netherlands East Indies, whilst Anglo-Iranian monopolises the production of Iran. Between them the three (in conjunction with French interests) control the Iraq Petroleum Company, the only Company at present producing oil in Iraq (the British Oil Development Company, in which the Italians have a considerable interest, not yet having reached the stage of production), and also control a large part of Rumania's output.

Moreover, there are undoubtedly arrangements between the important companies with the object of stabilising markets in certain areas. In practice, however, even these limited steps in the direction of regulation

(1) *Financial News*, June 11, 1935.

(2) *Financial News*, July 23, 1935.

(3) "Commodity Control Schemes, New Trend in 1935," *Financial News*, December 30, 1935. This article gives an excellent summary of the recent working of the schemes.

are all subject to the law of supply and demand and any attempt at establishing artificially high prices would certainly fail. Although Russian exports have recently been falling off rapidly, the output of other American and Rumanian companies is more than sufficient to upset any attempts at extensive regulation by the large companies alone.

In 1933 an effort was made to regulate production throughout the U.S.A. as part of the National Recovery programme, but in practice exports of "hot oil" from Texas prevented the Oil Code from becoming effective, and in any case, in 1935 N.R.A. was ruled unconstitutional by the Supreme Court.

APPENDIX V.—TABLE 3.—WORLD PRODUCTION OF RUBBER AND TEXTILE FIBRES.
PERCENTAGE PRODUCED BY EACH COUNTRY.
(Sources: League of Nations Statistical Year Books and International Year Books of Agricultural Statistics.)

	RUBBER (Shipments)		COTTON (ginned)		WOOL		SILK (raw)		FLAX (fibre)		HEMP (fibre)		JUTE	
	1925-9.	1934.	1925-9.	1933-4.	1925-9.	1933.	1925-9.	1933.	1925-9.	1934.	1925-9.	1933-4.	1925-9.	1933.
WORLD TOTAL (ooo,ooo quintals).	6.6	10.2	57.7	57.9	16.7	16.6	0.6	0.5	5.3	6.8	5.4	3.3	18.8	14.6
BRITISH EMPIRE:														
GREAT BRITAIN AND N.														
IRELAND					3.0	3.3			1.0	0.5				
AUSTRALIA			—	0.1	25.0	27.0								
N. Guinea (mandate) and Papua	0.1	0.1												
CANADA... ..					0.4	0.5								
INDIA	2.1	1.1	17.8	15.6	2.7	2.7	0.3(E)	0.1(E)					99.0	98.8
IRISH FREE STATE					0.4	0.5			0.1	0.1				
NEW ZEALAND... ..					7.2	8.2								
SOUTH AFRICA... ..					7.7	7.7								
Basutoland					0.3(E)	0.2(E)								
British Borneo... ..	2.5	2.8												
British Malaya... ..	45.4	46.0												
Ceylon	9.0	7.8												
Nigeria	0.1	0.1	0.1	0.1										
Sudan			0.4	0.5										
Uganda			0.5	0.9										
Mandates—														
Cameroons	0.1	—												
Tanganyika			0.1	0.1										
TOTAL	59.3	57.9	18.9	17.3	46.7	50.1	0.3	0.1	1.1	0.6			99.0	98.8
FRANCE					1.2	1.1	0.4	0.1	4.9	1.9	0.9	0.8		
Algeria					1.0	1.1								
French Eq. Africa	0.2	0.1												
French Morocco					0.6	0.7					0.1	?		
French W. Africa	0.1	—	0.1	—										
Indo-China	1.3	1.9					0.1	—						
Tunis					0.2	0.2								
Mandates—														
Cameroons	0.1	—												
Syria and Lebanon					0.2	0.1	0.5	0.2			0.3	0.2		
TOTAL	1.7	2.0	0.1		3.2	3.2	1.0	0.3	4.9	1.9	1.3	1.0		
NETHERLANDS									2.1	0.7				
N. E. Indies	33.5	37.4												
TOTAL	33.5	37.4							2.1	0.7				
BELGIUM									4.9	2.9				
Belgian Congo	0.1	—	0.1	0.4?										
TOTAL	0.1		0.1	0.4					4.9	2.9				
ITALY					0.8	0.7	8.2	6.3	0.4	0.3	18.4	17.8		
SPAIN					2.2	2.1	0.1	0.1	0.1	—	1.3	1.1		
JAPAN							69.5	78.0	0.6	0.6?	1.5	2.4	0.1	0.1
Formosa													0.2	0.3
Korea			0.5	0.5			1.4	2.9			3.8	6.0		
TOTAL			0.5	0.5			70.9	80.9	0.6	0.6	5.3	8.4	0.3	0.4
U.S.A.			57.4	49.0	10.3	12.3					*	*		
PHILIPPINES														
TOTAL			57.4	49.0	10.3	12.3					*	*		
U.S.S.R.			3.7	7.1	10.2	3.7	2.0	2.3	56.5	77.3	58.3	46.6		
AFRICA														
Egypt			6.0	6.7					0.1	0.2				
AMERICA—														
Argentina			0.4	0.8	9.2	10.5								
Bolivia	0.5	0.1												
Brazil	3.2	0.8	2.0	4.7	0.8	1.0?								
Chile					0.8	1.1					0.4	?		
Ecuador	0.1	—												
Haiti			0.1	—										
Mexico	0.5	—	0.9	1.0	0.1	0.1								
Peru			0.9	1.0	0.4	0.4								
Uruguay					4.0	2.9								
Venezuela	0.1	—												
ASIA—														
Afghanistan					0.4	0.4								
China			7.7	10.2	1.8(E)	1.6(E)	16.4(E)	8.5(E)						
Iraq					0.4	0.4								
Iran			0.3	0.4?	1.3	1.3?	0.6(E)	0.4(E)					0.6(E)	0.7(E)
Nepal														
Siam	0.6	1.7												
EUROPE—														
Austria									0.2	—				
Bulgaria									—	0.1	0.2	0.6		
Czechoslovakia... ..									1.9	0.8	1.4	1.6		
Estonia									1.8	1.0				
Finland... ..									0.2	0.3?				
Germany									?	0.8				
Greece			—	0.1	0.9	0.8								
Hungary					0.3	0.4	0.3	0.4			1.5	2.4		
Latvia					0.3	0.2			0.3	0.1				
Lithuania									4.1	2.3				
Norway									6.8	3.1				
Poland					0.1	0.1								
Roumania					0.2	0.2			10.6	4.4	3.5	3.1		
Turkey			0.3	0.5	1.5	1.5	0.2	0.3	0.4	1.0	3.0	7.9		
Yugoslavia					1.1	1.0			1.5	1.5	5.3	8.4		
... ..					0.7	0.8								

* The Philippines are the sole producers of manila hemp.

(E) = Exports

APPENDIX VI.—TABLE I.

LEADING PRODUCERS OF PRINCIPAL FOODSTUFFS.

PERCENTAGE OF WORLD PRODUCTION OF ALL PRODUCERS RESPONSIBLE FOR MORE THAN 5 PER CENT.

Wheat (1933-4) ...	U.S.S.R. ... 21	U.S.A. ... 11	France ... 7	India ... 7	Italy ... 6	Argentina ... 6	Canada ... 6
*Beef (1933)...	Argentina ... 56	Uruguay ... 12	Australia ... 10	New Zealand 7	Brazil ... 6		
*Mutton (1933) ...	New Zealand 57	Australia ... 18	Argentina ... 18			Irish Free State 8	Denmark ... 6
*Pork (1933) ...	U.S.A. ... 22	Sweden ... 15	New Zealand 12	Netherlands 12	Argentina ... 11		
*Ham, Bacon and Salted Pork (1933)	Denmark ... 57	Netherlands 12	Poland ... 9	Canada ... 7	U.S.A. ... 6		
*Butter (1933) ...	Denmark ... 27	New Zealand 24	Australia ... 17	U.S.S.R. ... 7	Netherlands 5		
*Cheese (1933) ...	New Zealand 38	Netherlands 24	Canada ... 12	Italy ... 7	Switzerland 7		
Cane Sugar (1933) ...	India ... 20	Br. W. Indies 15	Philippines ... 10	Mexico ... 6	Hawaii ... 6		
Beet Sugar (1934) ...	Germany ... 21	U.S.S.R. ... 16	France ... 12	U.S.A. ... 12	U.K. ... 7	Czechoslovakia 6	Poland ... 5
*Citrus Fruits (1933)	Spain ... 49	Italy ... 20	Palestine ... 7				
*Bananas (1933) ...	Honduras ... 25	Jamaica ... 11	Brazil ... 9	Canaries ... 8	Colombia ... 7	Formosa ... 7	Guatemala ... 6
Coffee (1933) ...	Brazil ... 71	Colombia ... 8					
Tea ¹ (1933) ...	India ... 42	Ceylon ... 24	N.E. Indies 18				
Cocoa (1933) ...	Gold Coast ... 41	Brazil ... 14	Nigeria ... 11	Fr. W. Africa 7			
Tobacco (1933) ...	India ... 28	U.S.A. ... 28	U.S.S.R. ... 8	Brazil ... 5			

* = Net Exports.

(1) Excluding China, for which figures are not available.

Sources: *League of Nations Statistical Year Book, 1934-5* and *International Year Book of Agricultural Statistics, 1933-4*.

APPENDIX VI.—TABLE 2.
 COLONIAL PRODUCTION OF PRINCIPAL FOODSTUFFS.
 PERCENTAGE OF WORLD PRODUCTION.

	WHEAT 1933.	BEEF (net export 1933).	PORK (net export 1933).	BUTTER (net export 1933).	CANE SUGAR 1933.	CITROUS FRUITS (net export 1933).	BANANAS (net export 1933).	COFFEE 1933.	TEA 1933.	COCOA 1933.	TOBACCO 1933.
BRITISH											
<i>Dependencies.</i>											
Aden								0.2			
Ceylon									25.7	0.5	
Cyprus						0.2					
Fiji Islands					0.8		0.3				
Gold Coast										40.6	
British Guiana					0.9						
Jamaica						0.4	11.1	0.2			
Kenya and Uganda...				0.1				0.7(E)			
Mauritius					1.8						
Nigeria										11.3	
Nyasaland											0.3
Sudan				0.1							
British West Indies...					15.4		0.1			3.9	
<i>Mandates.</i>											
U.K.											
Cameroons										0.6	
Palestine						7.2					
Tanganyika				0.1				0.5(E)			
Togoland										1.9	
SOUTH AFRICA.											
S. West Africa				0.4							
NEW ZEALAND.											
Western Samoa										0.2	
FRENCH & BRITISH TODOMINIUM.											
New Hebrides										0.3	
FRENCH											
<i>Dependencies.</i>											
Algeria	0.6					1.0					0.6
French Guinea							1.1				
Indo China					0.3			0.1	0.2		0.6
Madagascar		1.4	1.0					0.6			0.3
Morocco	0.6					0.5					
Reunion											
Tunis... ..	0.2										
French West Africa...		0.1								6.8	0.1
French West Indies...					0.6		1.4				
<i>Mandates.</i>											
French Cameroons										2.8	
French Togoland										1.1	
Syria—Lebanon	0.3					0.2					0.1
DUTCH											
<i>Dependencies.</i>											
Neth. East Indies					4.2		0.1	4.3	19.7	0.2	2.5
Surinam					0.1						
Dutch Guiana								0.1			
U.S.A.											
<i>Dependencies.</i>											
Porto Rico					6.4	0.4		0.2			0.3
Hawaii							0.1				
JAPANESE											
<i>Dependencies.</i>											
Formosa					4.4	0.3	6.6		2.4		
Korea	0.2										
<i>Mandates.</i>											
Mandate					0.3						
PORTUGUESE											
<i>Dependencies.</i>											
Angola					0.2			0.4			
Mozambique... ..							0.4				
S. Thomé & Príncipe I.										1.8	
SPANISH											
<i>Dependencies.</i>											
Fernando Po										1.8	
Canary Islands							8.4				
ITALIAN											
<i>Dependencies.</i>											
Italian Somaliland							0.6				
BELGIAN											
<i>Dependencies.</i>											
Belgian Congo								0.3		0.2	
TOTAL	1.9	1.5	1.0	0.7	35.9	9.7	30.2	7.6	48.0	74.0	4.8

(E) = Exports.

Information Department Papers, No. 19.

**GREAT BRITAIN
AND
EGYPT
1914—1936**

THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS

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INFORMATION DEPARTMENT PAPERS.

The Information Department of the Royal Institute of International Affairs from time to time publishes Papers on international questions. Prepared as occasion demands, these provide a concise and objective statement of the facts essential to an understanding of the current issues with which they deal.

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I. FROM THE DECLARATION OF THE PROTECTORATE TO THE DECLARATION OF FEBRUARY, 1922.

I. INTRODUCTORY.

Great Britain has a special interest in Egypt, dating from the acquisition of her possessions and colonies in the Indian Ocean and the Pacific. In the early days Egypt represented the only land barrier lying across the short sea route to the East; later, her strategic importance was increased by the construction of the Suez Canal, for whoever controls Egypt has control of the waterway; later still, she afforded a natural halting place for aerial traffic. In the event of war, she has always been an important place of concentration for east or west bound troops.

It has therefore been a cardinal point in British policy not to allow any foreign Power to control Egypt or to influence her in such a way as to interfere with the vital interests of the British Empire. In carrying out that policy two courses are open to the British Government: either to exert such control over Egyptian affairs as will provide for the safeguarding of British interests, or else to secure an alliance which will fully satisfy military requirements and the interests of both parties.

2. RELATIONS WITH GREAT BRITAIN FROM 1914 TO THE END OF THE WAR.

When the War broke out Egypt was still under the suzerainty of the Sultan of Turkey, whose representatives had misruled it since 1517, though early in the 19th century Mehemet Ali, by his force of character, had asserted his independence of Turkish control in many important respects. Further, since the suppression in 1882 of the Arabi revolt against the Khedive, Great Britain had enjoyed a special position in Egypt which she had utilised to set the administrative and financial machinery of the country in order and to give Egypt virtual autonomy, apart from a tribute of some £700,000 per annum paid to the Sultan.

Great Britain and Egypt were also bound by special ties in regard to the Sudan, which is important both strategically and in connection with the Nile waterflow. Its status as an Anglo-Egyptian Condominium was fixed by a convention of 1899, which, following the Kitchener campaign of 1898, laid down that Great Britain was "by right of conquest" entitled to share the administration with Egypt.¹

(1) See Appendix II, pp. 56-59.

Britain's "special position" in Egypt, for which the influence of Lord Cromer was largely responsible, was given official recognition by the Great Powers through an Agreement with France concluded in 1904, and through similar declarations made at the same time by Austria-Hungary, Germany, and Italy.

Further, annexed to the Anglo-French Agreement was a Khedivial Decree which, with the consent of the Powers, came into force on January 1, 1905. This declaration was in effect a European recognition that Britain was the protecting Power in Egypt. By it, also, the country achieved financial independence, subject to the payment of the annual tribute to Constantinople.

Under Lord Kitchener, who was appointed Agent and Consul-General in 1911, progress was made in improving the condition of the people both economically and socially, and in 1913, by a new organic law, a legislative assembly was constituted, composed for the most part of elected members. But this was a consultative body without authority to initiate legislation, though it had power to veto any increase in direct taxation.

Soon after the War broke out the assembly was suspended, and never met again. The Egyptian Government had at once thrown in its lot with the Allies,¹ and by the proclamation of Martial Law on November 2, 1914, it was able to enforce administrative measures without reference to the Assembly, also to take action affecting foreign nationals without first obtaining the assent of the Powers.

The entry of Turkey into the war—on November 7, 1914—was followed by a declaration of Great Britain's intention to take upon herself the responsibility of defending Egypt without asking for that country's help²; on December 18, 1914, a Protectorate was declared and the suzerainty of Turkey abolished,³ and on the following day the Khedive was deposed. His uncle, Prince Hussein, succeeded him with the title of Sultan, and on his death in 1917 his brother, the late King Fuad, was proclaimed Sultan.

The War brought much material prosperity to Egypt, chiefly owing to the fact that, after a short period of uncertainty and suspension of business, the price of cotton rose to unprecedented heights. The presence of British troops also stimulated trade,⁴

(1) As early as August 5 the Prime Minister, who acted as Regent in the Khedive's absence, after a meeting of the Cabinet declared Egypt to be at war with the enemies of Great Britain.

(2) British and Foreign State Papers, 1915, Vol. CIX, p. 435.

(3) *Ibid.*, p. 437.

(4) At one time the troops in the country were reported to number one million.

but as against this requisitions of labour and of supplies caused discontent and a certain amount of resentment among the fellahin, even though payment was in all cases made on a reasonable scale.

More serious was the discontent, stirred up by Nationalist propaganda, to which encouragement was given by President Wilson's Fourteen Points and by the Anglo-French Declaration of November, 1918, announcing that the Allies contemplated the enfranchisement of the peoples oppressed by Turkish rule. Numerous disclaimers by British statesmen of any intention to occupy the country permanently were recalled, and the acceptance by the Allies of the principle of self-determination was represented as having given international sanction to the aspirations of Egyptians to govern themselves. This was the situation at the termination of the War.

3. THE POSITION AFTER THE ARMISTICE.

At the conclusion of the War it remained uncertain whether these emergency measures could survive the advent of peace. Although the strength of the wave of Egyptian national feeling could not have been foretold, there was a very general feeling that the situation ought to be regularised, and the search for a permanent agreement was begun in December, 1919, when the Milner Mission arrived in Egypt. There was no question at the time of abandoning British control in Egypt, but merely of deciding the form which her control of Egyptian policy should take. Broadly speaking, there were three courses open :—

(a) The Protectorate might be maintained. Egypt, while under this Protectorate, would not actually be incorporated in the British Empire, but Great Britain, while exercising considerable control over all departments of her Government, would allow her as much autonomy as was considered compatible with the state of her constitutional development.

(b) Egypt might be incorporated in the British Empire, with a greater or less measure of self-government.

(c) The Protectorate might be abolished and, as a price for this, Egypt might, as an independent nation, enter into an alliance with Great Britain the terms of which would satisfy Great Britain's requirements.

There existed a feeling in Great Britain after the War that the Protectorate should be maintained, and that it would satisfy alike British and Egyptian requirements, for it was considered that Egyptian constitutional institutions were not sufficiently developed, that they would grow up in the shadow of the Protectorate, and that Egyptian national sentiment would prefer the continuance of the war-time régime to actual incorporation.

in the British Empire. Egyptian opinion, however, found it difficult to distinguish between the status of a Protectorate and that of a Colony, and the leaders of that opinion considered that Egypt's constitutional institutions could be developed without foreign assistance.

From Great Britain's point of view the incorporation of Egypt in the Empire might be considered to present the most satisfactory solution of the problem. It was argued that the aspirations of the Egyptian people could be satisfied by the granting to them of a considerable measure of autonomy, approximating, perhaps, to Dominion Home Rule.

From the Egyptian point of view, however, incorporation in the Empire meant the sinking of the identity of the Egyptian race and civilisation in the status of a British Colony, and Egyptian national feeling, after the War, ran exceedingly high, stimulated to a considerable extent by the theory of self-determination proclaimed by President Wilson, and by the Anglo-French Declaration of November, 1918. Egypt considered that she should take her place, not merely as an independent nation, but as the leading Moslem State. In Zaghlul Pasha, a lawyer of fellahin origin who had been created a Minister by Lord Cromer, Egyptian nationalism found a successful and energetic champion.

A National Movement, with complete independence as its object, was set on foot by Zaghlul and his adherents in 1919, and the abrogation of the British Protectorate and the recognition of Egypt as a sovereign State were openly demanded. Rioting and disturbances took place ; the Egyptian Government asked that representatives should be allowed to visit London to discuss the situation (a request which the Foreign Secretary was obliged to refuse, in view of the fact that he was on the point of proceeding to Paris for the Peace Conference) and the Nationalist leaders were banished to Malta, only to reappear, reprieved, as a Delegation (or " Wafd ") in Paris to air Egypt's grievances to the world.

The British Government therefore appointed a Commission to examine the whole question.

4. THE MILNER REPORT, 1920.

The Milner Mission, which arrived in Egypt in December, 1919, to enquire into the conditions in Egypt and to report upon the steps to be taken to regularise the position, found in favour of the abolition of the Protectorate and the contracting of a bilateral treaty, to be acquiesced in by the Powers, and approved by a " genuinely representative Egyptian Assembly."

It was considered by the Milner Mission that all necessary safeguards could be provided in the terms of a treaty of alliance by which Egypt, in return for Great Britain's undertaking to defend her integrity and independence, would agree to be guided by Great Britain in her foreign relations, and would at the same time confer on Great Britain certain definite rights in Egyptian territory.

The rights the Mission contemplated were of a twofold character. Firstly, in order to protect her special interests in Egypt and the safety of her Imperial communications, Great Britain was to have the right to maintain a military force in Egyptian territory; and secondly, for the protection of all legitimate foreign interests, she was to have a certain measure of control over Egyptian legislation and administration in so far as they affected foreigners. All reference to the Sudan was specifically excluded.

From Great Britain's point of view, the plan projected by the Milner Report¹ seemed to be an admirable solution of the problem. The Egyptians, on the other hand, or rather, Zaghlul Pasha and his supporters, regarded such a treaty as approximating to a veiled Protectorate.

On Lord Milner's return to London from Egypt, and prior to the drawing up of the Report, Zaghlul Pasha, who was in Paris, was invited to London to confer with the Mission, and Lord Milner did his utmost to enlist the sympathies of the Wafd for the solution which his proposed measures embodied. Zaghlul returned to Egypt to confer with his colleagues and came back to London in October, when he informed Lord Milner that he must insist on four reservations to the proposed settlement before it could be considered acceptable by the Egyptian people, the more important being that British troops should be limited in number and should be confined to the district adjoining the Suez Canal, and that Egypt should have an equal share with Great Britain in the administration of the Sudan.

Lord Milner could not agree to these reservations. The conversations broke down, and the Milner Report was published in December, 1920. From the breakdown of these conversations there emerged the following facts:—

(1) That the settlement (when arrived at) would have to be accepted, not by Egyptian Ministers in conference either in England or abroad, but by the Egyptian people, i.e., by Parliament.

(2) That the Egyptian Ministers would almost inevitably be faced with political complications at home which would render concessions or

(1) Submitted to the Secretary of State, December 29, 1920. British White Paper, Cmd. 1131.

compromise difficult, and which would disincline them to take decisions or to accept responsibility.

(3) That Zaghul Pasha, who headed the Egyptian Delegation in Paris (the Wafd) was by far the most important figure in Egyptian politics, that he was an undisguised hater of British interference in Egypt, and that Egyptian Nationalism was a force to be reckoned with.

(4) That, when occasion arose, there were always certain topics which could be brought up, discussion upon which could be relied upon to bring negotiations to an abortive end. The chief of these subjects was the Sudan.

In the various attempts to come to an agreement with Egypt which took place during the next ten years, these conditions remained constant factors.

After the breakdown of the conversations between the Milner Mission and Zaghul Pasha in October, 1920, no further steps were taken until November of the following year, when Adly Pasha came to England at the head of a delegation. The British Government intended that any agreement reached should be based on the findings of the Milner Report, and as Adly was a non-party politician, who had always been very critical of Wafd doctrines and methods, there were grounds for hope that this Egyptian delegation would show more readiness to abandon intransigence for conciliation. Unfortunately, however, Adly himself had no popular following in his own country, and could not take the responsibility of making concessions which he had good reason to believe would be repudiated by Egyptian public opinion. He reiterated the Wafd claim that Egypt had an "incontestable right to sovereignty over the Sudan," and the negotiations broke down.

5. THE CURZON MEMORANDUM, 1921.

A Memorandum issued by Lord Curzon¹ contained the terms of the draft treaty which had been discussed with Adly Pasha. This was based on the Milner proposals; but in liberality it went a step further, for its first clause terminated the Protectorate upon the signature of the proposed treaty.

While, however, the Milner proposals deliberately left the Sudan out of consideration, the Curzon Memorandum, while tacitly preserving the *status quo* of the Condominium, foresaw the probability that Egypt would want an Egyptian Commander-in-Chief to command her Army. An article of the draft treaty, therefore, laid down that all Egyptian forces in the Sudan should be under the orders of the Governor-General of the Sudan.

(1) British White Paper, Cmd. 1617.

As Adly Pasha had reiterated the claim to the Sudan, stipulations of this sort were clearly impossible of acceptance, and other differences revealed by the discussions—for example, as to the location of British troops on Egyptian soil—were comparatively of little significance.

Adly Pasha resigned when he got back to Cairo, but no successor to him could be found, and the agitation carried on by Zaghlul and his associates led to disturbances in several parts of the country. The immediate pretext for this was the presentation to the Sultan of a Note from Lord Allenby,¹ on December 3, 1921, in which regret was expressed at the rejection of the draft treaty, particularly because the British Government considered their proposals as "liberal in character and far-reaching in effect" and because they could not "hold out any prospect of reconsideration of the principle on which they were framed."

6. THE DECLARATION OF FEBRUARY 28, 1922.

The position was one of deadlock. The expectations of the Nationalists had been roused to such a pitch by Zaghlul's attitude that no Minister dared to form a Cabinet with the object of putting the British proposals into effect. Zaghlul himself was ordered to refrain from taking part in politics, and on his refusal, was deported, as it was very evident that his activities were chiefly responsible for the unrest.² But Lord Allenby fully realised that repressive measures alone afforded no solution of the problem, and he did his best to impress upon the British Government the necessity for going a step further by abolishing the Protectorate. In order to explain the urgency of this he went to London at the beginning of February, 1922, and returned before the end of the month with a draft declaration of independence for Egypt in his pocket. This was made public on February 28; the text was as follows³:

Whereas His Majesty's Government, in accordance with their declared intentions, desire forthwith to recognise Egypt as an independent sovereign State; and

Whereas the relations between His Majesty's Government and Egypt are of vital interest to the British Empire:

The following principles are hereby declared:—

1. The British Protectorate over Egypt is terminated, and Egypt is declared to be an independent sovereign State.

(1) Lord Allenby was High Commissioner from 1919 until 1925.

(2) They included student strikes, as well as attacks on the railways and public offices. Two British soldiers were murdered in the Cairo streets.

(3) British White Paper, Cmd. 1592.

2. So soon as the Government of His Highness shall pass an Act of Indemnity with application to all inhabitants of Egypt, martial law as proclaimed on November 2, 1914, shall be withdrawn.

3. The following matters are absolutely reserved to the discretion of His Majesty's Government until such time as it may be possible by free discussion and friendly accommodation on both sides to conclude agreements in regard thereto between His Majesty's Government and the Government of Egypt :—

(a) The security of the communications of the British Empire in Egypt ;

(b) The defence of Egypt against all foreign aggression or interference, direct or indirect ;

(c) The protection of foreign interests in Egypt and the protection of minorities ;

(d) The Sudan.

Pending the conclusion of such agreements, the *status quo* in all these matters shall remain intact.¹

The next day, March 1, Egypt was declared an independent sovereign State. The Sultan took the title of King, and proclaimed Egypt a monarchy. Within a few days Sarwat Pasha formed a Cabinet. A Minister for Foreign Affairs was appointed and simultaneously, British diplomatic representatives abroad were instructed to communicate to the Governments to which they were accredited a notification stating that the termination of the British Protectorate involved no change in the *status quo* as regards the position of other Powers in Egypt.

(1) For a note on the Four Reserved Points, see Appendix II, pp. 55-58.

II. FROM THE DECLARATION OF 1922 TO 1927.

I. THE INTERNAL SITUATION, 1922-1924.

In a note from Lord Allenby to the Sultan accompanying the Declaration of 1922, the creation of a Parliament with a right to control the policy and administration of a constitutionally responsible Government was pronounced to be a matter for the Sultan and the Egyptian people to determine. A special Committee was set up on April 3, 1922 to draft the Constitution,¹ and pursued its labours without interference from the British Government.² It was enacted a year later, on April 19, 1923. On July 5, 1923, an Act of Indemnity was promulgated. This cleared the way for the removal of martial law and the holding of a general election, which was ordered by a Royal Rescript of September 6. The election was carried out in January, 1924, and resulted in the return of 188 of Zaghlul's followers and 27 of other parties. The King accordingly asked Zaghlul Pasha to form a Government and, on his accepting, the first Parliament opened on March 15, 1924.

During this same period agitation against the Declaration continued.

The Declaration was intended, on the British side, as a preliminary step in a constructive policy, and it was expected that negotiations regarding the four reserved points would be initiated as soon as possible. But in Cairo the position was that the most active political elements refused to admit the validity of the Declaration on the ground that it was a purely unilateral instrument which had no binding effect on the country. The only political group³ which had any popular claim to speak for the country refused to accept the limitations on Egyptian sovereign independence involved in the reserved points.

At the same time there was a recrudescence of the epidemic of political crime which had begun towards the end of 1921⁴, and

(1) Sarwat Pasha, who was Prime Minister at the time the Declaration was made, fell from power in 1922, following a difference with the King over the drafting of the Constitution.

(2) The High Commissioner did, however, intervene to prevent the insertion of a declaration that the Sudan formed a part of the Egyptian Kingdom.

(3) The Wafd was not organised as a political party until April, 1924.

(4) In the twelve months from December, 1921 nineteen attempts were made against the lives of British residents, and in the five years ending with the murder of the Sirdar in November, 1924, the total was 46; of these 19 were against British officers and men, 11 against civilian British officials, and 16 against Egyptian Ministers and others believed to be in co-operation with the British.

which culminated in the murder of Sir Lee Stack on November 19, 1924. For the continuance of these crimes the Wafd bore a heavy responsibility, as the campaign had begun as a result of the organised incitement to violence with which the Wafd had identified itself from the beginning of its career. At this time no attempt was made by its leaders to alter their methods or to use their influence to counter the unrest.

2. THE MACDONALD—ZAGHLUL NEGOTIATIONS OF 1924.

It was in this setting that Zaghlul Pasha, supported by an overwhelming Wafdist majority in Parliament, initiated discussions with the British Government. A Labour Government had recently been formed with Mr. Ramsay MacDonald as Prime Minister, and Zaghlul may well have considered that the chances of securing liberal terms for the conclusion of a treaty were now better than they had been at any time since the war.

In public pronouncements both before and after his accession to power, he had expressed readiness to negotiate with Great Britain "with a view to arriving at an agreement which will guarantee the independence that we demand, while respecting such British interests as are reasonable and acceptable." Mr. MacDonald, on his side, sent him a cordial invitation to come to London to see whether such an agreement could not be reached.

Even Zaghlul however, idol of the people though he was found that he was the prisoner of his own words. He had made unconditional promises to the people of Egypt, and the mere suggestion that he might be going to compromise on any of them was the signal for attacks on him by his own press. How great was the part played—in the attitude he took up—by conviction, and how great that played by the desire to retain his popularity it is impossible to judge; the result, at any rate, was that all hope of reaching a settlement was destroyed by the demands he put forward when he met Mr. MacDonald in September, 1924.

These demands, which ignored the existence of British interests in Egypt, were rejected. As Zaghlul had no alternative suggestion to make there was nothing to be gained by continuing the discussions, and he returned to Egypt in October, to be acclaimed as the successful upholder of the country's rights. What these rights were in the eyes of the Wafd can be judged from the demands he put forward, which may be summarised as follows:—

- (1) The withdrawal of all British forces from Egyptian soil and of the Financial and Judicial Advisers from the administration, which should be entirely free of British control.

(2) The abandonment of the British claims to protect foreigners and minorities, and to share in the protection of the Suez Canal.

(3) The withdrawal of the notification to foreign Powers, of March 15, 1922, that H.M. Government would regard as an unfriendly act any attempt at interference in the affairs of Egypt by another Power; and

(4) The reduction of the status of the High Commissioner to that of the representatives of all other foreign Powers.

Mr. MacDonald was understood to have made it quite clear to Zaghlul that the attitude he adopted made any agreement quite impossible; the Egyptian leader appears, however, to have considered this to be of small account compared with the necessity of maintaining intact the principles on which, in his view, the rights of his country were based. In particular, Mr. MacDonald informed Zaghlul that no British Government could divest itself of all its interest in guarding the Suez Canal, for which security would have to be provided in any treaty concluded between Britain and Egypt. He also gave an assurance that the British force to be maintained in Egypt would neither interfere with the functions of its Government nor encroach upon its sovereignty. But he pointed out that no arrangement could be contemplated that would jeopardise the administration and development of the Sudan.¹

As Zaghlul had an overwhelming majority in Parliament, and as he had himself expressed a desire to enter on negotiations with the British Government, it is hard to understand why he put forward claims which he knew were quite certain to be rejected by the British Government.

3. THE SUDAN PROBLEM AND THE MURDER OF THE SIRDAR, 1924.

Shortly before Zaghlul left for Europe to meet Mr. MacDonald, a declaration had been made in the House of Lords² that Great Britain was "not going to abandon the Sudan in any sense whatever," and this was confirmed by a statement by the Prime Minister in the Commons on July 10, 1924, and by a dispatch to the High Commissioner, dated October 7, 1924, just after Zaghlul's departure, in which Mr. MacDonald gave warning that there could be "no question of the British Government abandoning the Sudan until their work is done."³ Signs of unrest, particularly among detachments of the Egyptian army stationed there, were apparent during the early summer in the Sudan, and

(1) See Section 3 below, and Appendix II, pp. 56-59.

(2) By Lord Parmoor on June 24, 1924.

(3) British White Paper, Cmd. 2269.

in August disturbances broke out at Khartoum, Atbara and Port Sudan, attended by considerable loss of life.

The Egyptian Government proposed that a joint Egyptian-Sudanese commission of enquiry should deal with the affair, but the High Commissioner made it clear that the Governor-General¹ was alone responsible for order in the Sudan. The court of enquiry that was set up was, accordingly, an Anglo-Egyptian one and not Egyptian-Sudanese, and at the time of its appointment, a Note from the British Government² was communicated to the Egyptian Government intimating that, in virtue of the 1899 Convention, Great Britain considered herself responsible for the maintenance of order in the Sudan. This was followed by steps taken by the Governor-General to arrest and deport certain officials and others known to be implicated in the disturbances.

It is appropriate to note here that Mr. MacDonald also, in his conversations with Zaghlul in September, warned him that the *status quo* there was being undermined by the action of the Egyptians themselves, and in his October dispatch to the High Commissioner he enumerated the reminders he had given to Zaghlul of the moral responsibility of the Wafd leaders for the unsettled conditions in parts of the country. He said :—

“ As regards the Sudan, I drew attention to certain statements which His Excellency had made as President of the Council of Ministers before the Egyptian Parliament during the course of the summer. On May 17, according to my information, Zaghlul Pasha stated that the fact that a foreign officer was Commander-in-Chief of the Egyptian Army, and the retention in that army of British officers, were inconsistent with the dignity of independent Egypt. The expression of such sentiments in an official pronouncement by the responsible head of the Egyptian Government has obviously placed not only Sir Lee Stack as Sirdar, but all British officers attached to the Egyptian Army, in a difficult position. I had also in mind that, in June, Zaghlul Pasha was reported to have claimed for Egypt complete rights of ownership over the Sudan and characterized the British Government as usurpers.”

The murder of the Sirdar, Sir Lee Stack, on November 19, 1924, brought matters to a head, and led to further, more drastic, measures in Egypt and the Sudan. The communication made to the Egyptian Premier by Lord Allenby stated that the British Government considered the crime to be “ the natural outcome of a campaign of hostility to British rights and British subjects in Egypt and the Sudan, founded upon a heedless ingratitude

(1) The Governor-General of the Sudan is directly under the authority of the High Commissioner. Sir Lee Stack was also Sirdar, or Commander-in-Chief, of the Egyptian Army.

(2) *The Times*, August 18, 1924.

(3) British White Paper, Cmd. 2269.

for benefits conferred by Great Britain, not discouraged by your Excellency's Government, and fomented by organisations in close contact with that Government."

A number of demands were accordingly made in a Note presented to the Egyptian Government by the High Commissioner¹. They were :—

- (1) An apology for the murder of the Sirdar ;
- (2) A thorough enquiry into the crime " with the utmost energy and without respect of persons " ;
- (3) The prohibition and vigorous suppression of all political demonstrations ;
- (4) The payment of an indemnity of £500,000 to the British Government ;
- (5) The withdrawal of Egyptian troops from the Sudan and of Egyptian officers in Sudanese battalions, which would be formed into a separate Sudan Defence Force, owing allegiance to the Sudan Government ;
- (6) The extension of the area to be irrigated in the Gezira district of the Sudan ; and
- (7) Pending the conclusion of a further agreement on the subject, the retention, for the protection of foreign interests in Egypt, of their position and powers by the British Financial and Judicial Advisers and the officials of the European Department of the Ministry of the Interior.

Zaghlul, after conferring with his Cabinet and with King Fuad, laid the British Note before the Chamber. On that body rejecting the last three demands², the High Commission at once ordered the occupation of the Alexandria Customs³ by British troops, and issued direct instructions to the Sudan Government to carry out as prescribed the conversion of the Sudanese units of the Egyptian Army into a separate Defence Force. Resistance was offered by a regiment of infantry, which unfortunately had to be dealt with by force⁴, but by the beginning of December all the Egyptian troops had been withdrawn.

Faced with this vigorous action in Egypt and the Sudan Zaghlul resigned on November 24, 1924. He was succeeded by Ziwar Pasha at the head of a non-Wafd Cabinet, who entered into discussions with Lord Allenby. As a result, one of the

(1) *Journal Officiel du Gouvernement Egyptien*, December 2, 1924, No. 107.

(2) The Egyptian Parliament drafted a protest to the League of Nations, addressed also to all the Parliaments of the world, characterising the British Government's action as imperialist aggression. The protest was not circulated, as it did not come from a Government, but the British Foreign Secretary, on December 3, 1924, expressed his willingness to give the League Council any information it desired as to what had been done, or as to British policy.

(3) The Customs receipts constituted the major source of the revenue of the Egyptian Government.

(4) Two platoons mutinied at Khartoum and established themselves in the military hospital, whence they were dislodged by British troops and artillery.

British demands (that regarding the powers of the British Financial and Judicial Advisers to the Government) was modified. The Egyptian Government pledged itself to consult the Judicial Adviser on certain specified questions concerning foreigners and foreign interests, but the demand that the advice of both of these officials should be accepted without question was withdrawn.

As regards the Department of Public Security, the European Section was to remain entirely autonomous, and the Director-General of it was not only to represent and defend foreign interests in general, but was also to represent Great Britain in particular as the Power which had assumed protection of foreign interests in Egypt. By an exchange of Notes on November 29, 1924, the modified British terms were accepted, and the British troops were withdrawn from the Customs Offices at Alexandria.

The British Government's policy in relation to the Sudan was again set forth in the House of Commons on December 15, 1924, by Sir Austen Chamberlain, who had succeeded Mr. MacDonald as Foreign Secretary. After referring to Britain's position as trustee for the people of the Sudan, he said "we insist that we shall have there for the future whatever authority is necessary in order to discharge our duty and our responsibilities to the people whom we govern. We have no desire to terminate the Condominium. If . . . the Government of Egypt will work with us, we will recognise it and be loyal to it . . ."

This statement of the British position has held good ever since that date, and it was the refusal of the Egyptian Premier to recognise it that caused the breakdown of the negotiations between Nahas Pasha and Mr. Henderson in 1930.

Within a few days of the Sirdar's murder three prominent Egyptian politicians had been arrested by the British military police, who handed them over to the Egyptian authorities. They were placed on trial, together with several other persons arrested subsequently, in May, 1925, and on June 7 eight of them were condemned to death.¹

4. INTERNAL DEVELOPMENTS, 1924-27.

The Ministry of Ziwar Pasha had been able to come to terms with the High Commissioner, as the Premier himself recognised the share of responsibility which the Wafd Government had to bear for the Sirdar's murder and for other similar crimes. He accordingly adopted a more accommodating attitude towards

(1) Seven were executed, and one sentence was commuted to life imprisonment.

the Residency, and this attitude would, it was hoped, continue to characterize the Government now that Zaghlul was no longer in office.

Parliament, however, with a large Wafd majority, was still in session, and this made Ziwār's position exceedingly difficult. He accordingly obtained a dissolution from the King on December 24, 1924. In the general election which followed all the non-Wafd parties joined forces, with the result that the new Chamber contained only a small number of Wafd deputies. Ziwār Pasha formed a coalition Cabinet of anti-Wafd ministers, on March 14. When, however, the Chamber met on March 23, 1925, it elected Zaghlul President, and his prestige was such that the support of the majority of the deputies for whatever policy he advocated was virtually a foregone conclusion.

Ziwār Pasha accordingly offered his resignation and, on the King refusing to accept it, obtained from him an immediate dissolution. A decree for the holding of fresh elections was not signed until February, 1926, and during the eleven intervening months Egypt was governed, at first by King and Premier in collaboration, but later by the Palace, in disregard of constitutional responsibilities. This condition of affairs was ended, partly through the intervention of the High Commissioner, in the following manner.

At the beginning of January, 1925, a new party of "the King's Friends" was formed by a Palace official named Nashaat Pasha, and given the title of Ittihad, or Unionist. The President was Yehia Ibrahim Pasha, a former Premier, who was on terms of close friendship with the King, and, in March, Yehia joined the Cabinet as Minister of Finance. In July Ziwār Pasha left for Europe for reasons of health, leaving Yehia as acting Premier, and shortly afterwards the Minister of Justice was dismissed. As he was also President of the Liberal Party, the three other Liberal Ministers resigned, and the Ittihad party, which, in practice, meant Nashaat Pasha, was left in sole possession of the field.

While these changes had been going on Lord Lloyd had replaced Lord Allenby as High Commissioner. The latter left Egypt in June, 1925, and Lord Lloyd did not arrive there until October 20. He soon realized that the ability and ambition of Nashaat Pasha were being employed in a manner which did no service to the Government's good name,¹ and in December he obtained the removal of that official from his position as Director of the Royal Cabinet.

(1) In November the Government was denounced for violating the Constitution by a large meeting of the Wafd and Liberal members of the Chamber which had been dissolved by the King in March.

The irregular position was ended by the signature of a Royal decree on February 22, 1926, for the holding of new elections. Polling took place in May, and resulted in the return of a Chamber containing a large Wafd majority—150 deputies, as against only some 60 of the opposition parties. The Ittihad party did not win a seat.

At this point Lord Lloyd found it necessary to intervene owing to the undesirability of Zaghlul becoming Prime Minister. The reputation of the Wafd had received a blow just at the time of the elections on the occasion of the trial of seven persons—members of the Wafd—of considerable standing, including two Wafd ex-Ministers, on charges of implication in the political murders of 1922. Six of them were acquitted, but their acquittal was followed by the resignation of the English Judge,¹ who announced that, in the case of four of them, the verdict was so contrary, in his opinion, to the weight of evidence that it constituted a grave miscarriage of justice.

The British Government took so serious a view of the matter that on June 2, 1926, they presented a Note² to the Egyptian Government in which they reserved judgment in respect of the verdict, declined to accept it as proof of the innocence of the accused, and reserved full liberty to take such steps as might prove necessary in order to fulfil their obligations regarding the safety of foreigners.

In the atmosphere revealed by these events³ it was obviously impossible for Great Britain to look on unconcerned when the Wafd obtained a victory at the elections. It was made clear to Zaghlul that a Government led by him would not enjoy the confidence of Great Britain, and King Fuad accordingly sent for Adly Pasha. On June 7 he formed a Ministry, with six representatives of the Wafd, three Liberals and one Independent. The Chamber, however, again elected Zaghlul as its President, and from the opening of the session, in November, 1926, took up an attitude very critical of Adly Pasha's Government. The main political issues at the moment were the question of the continuance of Egypt's contribution to the Sudan Defence Force,⁴ that of the abrogation of the Capitulations, and the treatment of foreign officials in the Government (who were to be retired by degrees), and in all of these the Wafdists in the Chamber main-

(1) The bench was composed of Judge Kershaw and two Egyptian judges.

(2) *The Times*, June 2, 3, 4, 1926.

(3) The two Wafd ex-Ministers were acclaimed as heroes by the Wafd supporters in Cairo.

(4) This, it will be remembered, had replaced the Egyptian garrison there at the end of 1924.

tained an uncompromising attitude, often heckling the Government, which was itself far from united.

By April, 1927, Adly's position had become impossible, and he resigned. The Liberal leader, Abdel Khalek Pasha Sarwat, succeeded him as Premier and formed a Coalition Cabinet, but had not been in office more than a few weeks when a fresh crisis occurred in the relations with the British Government. This concerned a proposal to increase the strength of the Egyptian Army, and led to representations being made to the Egyptian Government to the effect that the "projects" contemplated were "a matter of direct concern to His Majesty's Government."

The British Government's action was apparently taken owing to their having made up their mind to insist that everything appertaining to the control and organisation of the Egyptian Army should be treated, in effect, as being covered by the four reserved points in the Declaration of February, 1922. As soon as it was clear that the Egyptian Government accepted this point of view the tension subsided, and the matter was quickly settled.

Meanwhile, it had been arranged that King Fuad should pay a visit to Europe, and in July, 1927, he came to London, accompanied by the Prime Minister. Lord Lloyd was in London at the same time, and the occasion was taken to open afresh negotiations between the two Governments for the settlement of the four points left outstanding in 1922.

III. ANGLO-EGYPTIAN NEGOTIATIONS 1927—1930.

I. THE CHAMBERLAIN-SARWAT NEGOTIATIONS OF 1927-8.

When Sarwat Pasha reopened conversations with Sir Austen Chamberlain in the middle of July, 1927, he was told quite frankly that the position had not changed, and that the rights comprised in the four points were vital to Great Britain. "No British Government could afford to ignore them," the Foreign Secretary said; they were, in fact, "so essential to the existence of the British Empire that every British Government in the future, as in the past, whatever its complexion, would be obliged to insist upon them."

The main difference between the Anglo-Egyptian discussions of 1924 and those of 1927-8 lay in the personality of the Egyptian negotiator; Zaghlul Pasha had come into power as the inveterate opponent of British power in Egypt and by virtue of his reputation found himself unable to adopt any but the most intransigent attitude towards the British Government's counter-proposals.

Sarwat Pasha, on the other hand, agreed at the outset that "there must be friendly collaboration" between Great Britain and Egypt, and that the aid of the former was necessary for the security of the latter.

Accordingly, on July 18, 1927, he submitted a draft treaty¹ to the Foreign Office, of which the principal points were:—

1. An alliance "in eternal consecration of friendship."
2. "The substitution for the capitulatory régime now existing in Egypt² of a régime more in conformity with the spirit of the times and the present state of Egypt," Great Britain having the right of intervention to protect foreigners from inequitable treatment in fiscal matters.
3. Egypt to enter the League of Nations, with Great Britain's support.
4. The recognition of Great Britain's right by virtue of the first of the reserved points ("protection of lines of communication") to maintain a military force ("in no way having the character of an occupation") on Egyptian soil; after a certain period (Sarwat Pasha in conversation suggested from three to five years) this force should be quartered in the region of the Canal, possibly at Port Tewfik.
5. The Egyptian draft further provided that Egypt should not oppose British foreign policy abroad, nor conclude agreements with foreign Powers which might be prejudicial to British interests.
6. As regards financial and judicial relations, the Egyptian Government agreed to appoint, in agreement with the British Government,

(1) British White Paper, Cmd. 3050, p. 7.

(2) See Appendix III, p. 59.

advisers to the Ministers of Finance and Justice, whose advice and services should be at the disposal of the Government, "for all matters in regard to which they may wish to consult" them.

7. The British representative in Cairo was to have the rank and precedence of Ambassador.

8. The question of the Sudan was to be left to further negotiation, but Great Britain should agree to return to the *status quo* of before 1924—that is to say, before the sanctions applied after the Sirdar's murder, which involved the withdrawal from the Sudan of all Egyptian officers and purely Egyptian units of the Egyptian army.

Ten days later the British Foreign Office presented a counter draft treaty,¹ which, while accepting the general principle of an alliance and the admission of Egypt to the League, required a more far-reaching system of guarantees than was contemplated in the Egyptian draft.

In addition to the agreement regarding foreign policy, the British draft provided for "full and frank consultation between the high contracting parties in all matters of foreign policy which may affect their common interests." While agreeing to the proposal regarding Capitulations, Great Britain, under the second and third of the reserved points, claimed the right to "satisfy themselves that adequate protection is afforded to foreign lives and property." The Egyptian Government was required to maintain a sufficient foreign element in its internal administration to ensure such protection.

With regard to the British forces to be maintained in Egypt for the protection of Imperial lines of communication, the British draft provided for maintenance of such armed forces as should be necessary. After ten years the contracting parties would consider where these forces should be stationed, "in the light of their experience of the operation of the provisions of the Treaty and of the military conditions then existing." In the civil service the Egyptian Government were to employ all foreign officials necessary, with the assistance of Great Britain, with whom an understanding would have to be reached before foreigners of non-British nationality were employed in the position of director or higher rank. The positions and functions of the financial and judicial advisers were to remain unchanged, and provision was made for the continuance of the *status quo* in the government of the Sudan.

The British draft further contained an annex providing for the régime under which the Egyptian army was to operate during the ensuing ten years. The Army was to be limited to 12,250 men, of which the instructional personnel was to be trained either in

(1) British White Paper, Cmd. 3050, p. 9.

Egypt or England, and munitions and supplies not produced in Egypt were to be obtained from the British Government alone. The annex further stipulated the unmodified maintenance of the European Department in the Ministry of the Interior.

In a long commentary¹ on these proposals handed in at the end of August Sarwat Pasha declared that "the British draft, with its mechanism of rigid tutelage and continued control, goes too far." The British proposals, he reiterated later, merely resulted in emphasizing a "lack of confidence in Egypt and a desire to keep her in a state of tutelage."

After some weeks of negotiation a third draft treaty² was agreed upon by both Sir Austen Chamberlain and Sarwat Pasha, and ultimately received the approval of the British and Dominion Governments. The main provisions may be summarised as follows:—

1. The establishment of an alliance;
2. An undertaking by the British Government to use its influence with other Powers to obtain "modification" of the capitulatory régime;
3. Egypt to enter the League of Nations with Great Britain's support;
4. Recognition of Great Britain's right to maintain a military force in Egypt, without constituting in any manner an occupation; the question of the locality of this force to be reconsidered in ten years, and failing agreement, to be decided by the League Council. If the League Council decision were adverse to the Egyptian claim, the question to be reconsidered at intervals of five years;
5. An undertaking by the Egyptian Government not to hamper British foreign policy, and to consult with His Britannic Majesty over any difficulty in Egypt's relations with third Powers;
6. An undertaking that the Egyptian Government "when engaging the services of foreign officials will as a rule give preference to British subjects."

There were two annexes to the Treaty:

7. Annex I provided for the military régime to govern the Egyptian army over the next ten years, the privileges or immunities to be enjoyed by the British forces in Egypt and the prohibition of the passage of foreign aircraft over the Suez Canal zone;
8. Annex II covered the appointment, in agreement with the British Government, of a Financial and a Judicial Adviser, and the retention of all British officials serving in the public security and police services pending the modification of the Capitulatory system.

The question of the Sudan was left over for future discussion.

Late in November, 1927, this Treaty was forwarded to Lord Lloyd in Cairo by Sir Austen Chamberlain, who described it both as "embodying large concessions to his Excellency's (Sarwat

(1) British White Paper, Cmd. 3050, pp. 16-30.

(2) *Ibid.*, p. 35.

Pasha's) own views and to Egyptian sentiment," and as "expressing on the one side and on the other the limit to which each party can advance in his wish to meet the other." Accompanying the draft treaty were two Notes from the British to the Egyptian Government, which were to form the bases for the negotiations on the subjects of irrigation and the Capitulations.

With the formal presentation of the Treaty to Sarwat Pasha in Cairo on December 3, 1927, there began a long and tedious process of negotiation. Sarwat Pasha at first expressed himself optimistically as to the Treaty's prospects, but soon began to be aware of the growing antagonism of the Wafd, the strongest party in the coalition Government which he headed. He became increasingly unwilling to submit the Treaty either to his Cabinet or to Nahas Pasha, who had succeeded Zaghul¹ as President of the Wafd. Difficulty after difficulty was raised, first as to the interpretation of certain clauses, then as to further assurances from the British Government. But by January 18, 1928, the only points remaining outstanding were annexes I (A) and II (C), respectively covering the maintenance of British personnel on the existing scale in the Egyptian army during the period of ten years provided for in Article 7 of the Treaty, and the maintenance of the number, status and functions of the British officials then engaged in the public security and police services, pending the reform of the Capitulatory system.

The British Government offered, with regard to I (A) to convert the British personnel in the Egyptian Army into a military mission, and with regard to II (C) suggested that if, within five years of the ratification of the Treaty, the reform of the Capitulatory system had not taken place, nor an Anglo-Egyptian agreement been reached on the point in question, the two Powers should ask the Council of the League of Nations to give a decision on the matter.

To this latter proposal Sarwat Pasha replied that the matter was an internal one and the League was not concerned². This attitude forms an interesting commentary on that taken up by the Egyptian Government of the day in appealing to the League to interfere after the sanctions taken by the British Government as a result of the Sirdar's murder in November, 1924.³

The Treaty was at length communicated first to Nahas Pasha and then to the Cabinet, and from this moment Sarwat Pasha ceased to play the predominant rôle in the negotiations, which

(1) Zaghul Pasha died in August, 1927.

(2) Egyptian Green Book No. 1 of 1928, Document 20.

(3) See p. 17, footnote 2 above.

was assumed by the President of the Wafd. In an interview with Lord Lloyd at the end of February, 1928, Nahas Pasha refused to discuss the Treaty, because it did not provide for the complete evacuation of Egyptian territory by British military forces.

This was a complete return to the situation of 1924. Sir Austen Chamberlain, in a despatch to Lord Lloyd on March 1, said: "Nahas Pasha is as little ready as was Zaghlul Pasha . . . to recognise the realities of the situation . . . It was Sarwat Pasha's recognition of these realities which made it possible to negotiate the Treaty with him; it is Nahas Pasha's refusal to recognise them which, if adopted by the Egyptian Government, will once again have made a settlement impossible."¹

On March 1 a majority of the Cabinet voted for the rejection of the Treaty, and Sarwat Pasha resigned the Premiership, to be succeeded by Nahas Pasha on March 16. The failure to negotiate a treaty made it necessary for the British Government to take cognisance of certain internal developments, and on March 4 King Fuad was informed that, having regard to the Declaration of February, 1922, and the obligations incurred therein, the British Government could not be hampered in the discharge of those obligations by legislative proposals² introduced in the Egyptian Parliament which, if they were to become law, would be likely to be prejudicial to the maintenance of order and the protection of life and property in Egypt.

On March 30 the new Egyptian Cabinet took exception to the British Note as unwarranted interference in Egyptian affairs. Replying on April 4, the British Government informed Nahas that this could not be accepted as a correct exposition, and reminded him of the four reservations attached to the Declaration of 1922. In view of the Egyptian Government's rejection of the treaty designed to settle these four points, the *status quo ante* continued. Nahas, however, declared that he was determined to proceed with the Bill, which would receive the Royal Assent and be applied without delay or equivocation. At the same time he maintained that the Bill was entirely innocuous, and reiterated his refusal to recognise the Declaration of 1922 or the four reserved points as valid.

In view of the attitude adopted by Nahas, the High Commissioner felt it necessary to intervene. In a Note dated April 29, he requested him, "as head of the Egyptian Government,

(1) British White Paper Cmd. 3050, pp.59-60.

(2) E.g. amendments to the Public Assemblies Act. This permitted the police to break up public "gatherings" at their discretion and thereby prevent incitement to riot.

immediately to take the necessary steps to prevent the Bill from becoming law," and added, "I am instructed to request your Excellency to give me a categorical assurance in writing that the above-mentioned measure will not be proceeded with. Should this assurance not reach me before 7 p.m. on May 2, His Britannic Majesty's Government will consider themselves free to take such action as the situation may seem to them to require."

This elicited on May 1 a conciliatory reply stating that the Egyptian Government were desirous of a friendly undertaking with Great Britain and would adjourn consideration of the Bill until the next session of Parliament. At the same time it categorically denied the British Government's right of interference, denouncing the Declaration of 1922 as a unilateral act which had never been accepted by the Egyptian Government. The incident closed with a reply from the British Government in which the latter reaffirmed its claim regarding the character and scope of the Declaration, stating that it "embodies the conditions subject to which independence was accorded to Egypt, and His Majesty's Government will not permit it to be either modified or disregarded."¹

Shortly after this Nahas was dismissed by the King,² and on June 27 Mohammed Pasha Mahmud formed a Cabinet. He found himself out of sympathy with the large Wafd majority in Parliament, which, in a letter to the King, he accused of exercising its powers in a dangerous partisan spirit, and of gross maladministration. As a result, on July 19 a Royal Rescript was issued dissolving Parliament for three years. From that date the Government was carried on by the King assisted by his Ministers, and all legislation was enacted by Royal Decree. The Wafd protested, but its attempts to stir up public opinion met with little success.

Unhindered by Wafdist influence, the Mahmud Government proceeded to make progress in external affairs. On September 4, 1928, it announced its adherence to the Briand-Kellogg Pact, though with the understanding that this did not imply acceptance of the reservations of any Power.³ On October 30 a Note was despatched to all the Capitulatory Powers, in which reference was made to the previous Note of December 25, 1927, and the Egyptian point of view as to the advisability of putting an end to the extra-territorial régime was set forth in detail. The Powers

(1) For this correspondence see British White Paper, Cmd. 3097.

(2) Following the publication of statements in the Cairo press charging him and two of his associates in the Wafd Party with unprofessional conduct as lawyers.

(3) This referred to the British reservations regarding freedom of action in respect of "certain regions of which the welfare and integrity constitute a special and vital interest for our peace and safety."

were asked to state whether they would prefer to negotiate direct, or hold a conference in Cairo to discuss the matter. In reply, the British Government re-affirmed the offer made in 1927 to Sarwat Pasha in Article 9¹ of the proposed treaty, and offered all possible support for a conference. Further, on January 8, 1929, conversations were opened regarding the acceptance of the findings of a special Nile Commission, which had issued its report on the question of the regulation of the Nile waters on March 21, 1926. These concluded a few months later with the signature of an Agreement, on May 1, 1929, by which this Report was accepted *in toto*, and the outlines of future arrangements as regards irrigation works on the Nile were placed on record by an exchange of Notes between the Premier and the British High Commissioner.²

In February, another outstanding question had been settled with the British Government by the conclusion of an agreement for the settlement of claims against the Egyptian Government in respect of the Ottoman Guaranteed Loan of 1885. The Agreement was signed on March 17, 1929,³ and provided for the discharge by Egypt of her total liability in respect of this Loan, and for certain payments by Great Britain in settlement of Egypt's claim for a share of reparations. Certain shipping and army claims outstanding since the War were also finally disposed of on a basis satisfactory to both parties.

2. THE HENDERSON-MAHMUD NEGOTIATIONS OF 1929.

In June, 1929, Mahmud visited Great Britain and took the opportunity presented by the change of Government following the general election to reopen negotiations for a final settlement. On July 24, Lord Lloyd, who had been High Commissioner since 1925, resigned. Negotiations between Mr. Arthur Henderson, the new Foreign Secretary, and Mahmud progressed satisfactorily, and the text of new draft proposals was made public on August 6.⁴ Accompanying the draft was a letter from the Foreign Secretary, in which he stated that the proposals agreed upon represented "the extreme limit to which I could recommend His Majesty's Government to go in their desire to achieve a lasting and honourable settlement of outstanding questions between Great Britain

(1) This read: "His Britannic Majesty undertakes to use all his influence with the Powers possessing Capitulatory rights in Egypt to obtain the modification of the Capitulatory régime now existing in Egypt so as to make it conform more closely with the spirit of the times and with the present state of Egypt."

(2) The text of the Nile Waters Agreement was published as a British White Paper on July 5, 1929 (Cmd. 3348). See Appendix V, p. 64.

(3) British White Paper, Cmd. 3305.

(4) British White Paper, Cmd. 3376.

and Egypt." He hoped for examination of them in a friendly spirit and undertook that, if the verdict of a newly-elected Egyptian Parliament were favourable, "His Majesty's Government, for their part, will immediately submit the proposals to Parliament with a view to the conclusion and ratification of a treaty carrying them into effect."

On the same day Mahmud replied in a Note declaring himself willing to submit the proposals to the Egyptian people and Parliament "in the sincere belief that their acceptance would be in the interests of my country."

The proposals were based in general upon those agreed between Sir Austen Chamberlain and Sarwat Pasha in 1927.¹ The main differences being:—

(1) Agreement was reached in regard to the localities (East of 32° E longitude) where British troops were to be stationed in Egyptian territory (the point on which the foregoing negotiations had broken down) and the termination of the British military occupation was to take place forthwith.

(2) An endeavour was made to make the settlement comprehensive by dealing with the problem of the Sudan (which in 1927 had been left over for future discussion). The status of the Sudan was to revert to that in force prior to the murder of Sir Lee Stack in 1924.

(3) The protection of foreigners in Egypt was made into a treaty obligation of the Egyptian Government (instead of leaving the direct responsibility in the British Government's hands).

Attached to the draft treaty was an exchange of Notes dealing with the question of the abolition of the Capitulations and the transfer to the Mixed Courts² of the jurisdiction of the existing Consular Courts and the application of Egyptian legislation to foreigners. Other Notes dealt with Army questions, British advisers and instructors, Police, Minorities and the Sudan.³

On his return to Egypt at the end of August, Mahmud appealed to all parties to examine the draft proposals free from prejudice. Egyptian opinion must, he said, be taken into account, and the nation would therefore have the last word.

How the nation was to be given an opportunity of expressing its opinion was a difficult problem. It was obvious that a return to constitutional government would first have to be made, apart from the fact that the draft treaty stipulated for ratification of its terms by the Egyptian Parliament prior to its submission to

(1) See above, p. 24.

(2) For the origin of the Mixed Courts, see Appendix III, p. 59.

(3) British White Paper, Cmd. 3376.

the Parliament of Great Britain. The Premier wished to go to the country on the issue of the acceptance or rejection of the treaty, and during the few weeks following his return to Egypt secured definite pledges of support for it from the Liberal Constitutional and the Ittihad (or Palace) parties. The Wafd, however, proved as uncompromising as before, and while conducting a campaign of abuse of the Premier, refused to express any opinion on the treaty. Its leader, Nahas Pasha, insisted that Parliament must first be elected by universal suffrage, and that only after that, "under the Dome of the Chamber," would it discuss the terms of the British Government's offer.

Mahmud Pasha offered to resign, leaving a Coalition Government to handle the treaty and introduce it to the Chamber, but the Wafd remained adamant. He asked it to take part in the Coalition, but it continued to demand the holding of a General Election as the essential preliminary to any steps taken towards recognition of the treaty proposals. On September 21, 1929, Adly Pasha Yeghen, who, as an experienced statesman of moderate views had been appealed to as the man most likely to be able to head a Coalition Cabinet, informed the King that there was no hope of inducing the Wafd to modify its attitude, and by the end of the month it was evident that the Premier would have to resign to make way for a Cabinet of a purely interim character, whose work would be more or less confined to arranging for the holding of the elections.

Mahmud Pasha accordingly resigned on October 2, 1929, and on the following day Adly Pasha accepted the King's invitation to form a Cabinet for this purpose. The new Ministers were almost without exception men of long political experience and moderate views, and the feeling in the country appears to have been that, in the circumstances, the best step possible had been taken to put an end to the crisis. The character of the new Ministry was regarded as a guarantee that orderly Government would be maintained during the electoral period, and it was expected that a Decree would be promulgated at once, ordering a General Election under the direct suffrage law, under which every man of 30 years and over was entitled to vote.

The Royal Decree authorising the holding of a general election was published on October 31, 1929. This at the same time removed the suspension of those Articles of the Constitution which had been suspended on July 19, 1928, when the King had dissolved Parliament.¹

The Elections were duly held on December 21, and resulted

(1) See p. 27 above.

in a sweeping victory for the Wafd—a foregone conclusion. The Liberal Constitutional Party, the only other party with any considerable following in the country, had decided to boycott the election and did not take any part, and of the 29 non-Wafd members returned, 20 described themselves as Independents, which meant that they would probably vote with the majority when Parliament met. Adly Pasha tendered his resignation on the last day of the year, and on January 1, 1930, a new Government was formed by Nahas Pasha.

3. THE HENDERSON-NAHAS NEGOTIATIONS OF 1930.

In opening Parliament on January 11, 1930, the King, in the speech from the Throne, expressed the belief that the session would mark the prelude to a new era of a cordial *entente* and fruitful friendship with Great Britain. The Government hoped to open with the British Government negotiations which would have as their object the conclusion of a solid and honourable accord between the two countries, which, when secured, would be submitted to Parliament for ratification.

At the end of the month the question of opening negotiations with the British Government was debated in the Chamber. It was the occasion of a stormy discussion in which the Wafd was violently criticised by a handful of extremists for its lack of patriotism in suggesting negotiations with Great Britain on the basis of the 1929 proposals. The speech from the Throne was criticised for its omission of any mention of the Sudan, and one deputy urged that there should be no negotiations until Great Britain had evacuated the country. Eventually a division on the amendment to the address was taken, and only five members were found to support it. On February 6 Nahas obtained a mandate to open negotiations with only five dissentient votes.

The Egyptian delegation arrived in London at the end of March, and formal negotiations opened on March 31. The Prime Minister was accompanied by three members of his Cabinet, Wassif Pasha Ghali (Foreign Affairs), Osman Pasha Muharrem (Public Works) and Makram Effendi Obeid (Finance). With an almost unanimous mandate from the Chamber and untrammelled by promises or commitments, its position was strong enough to warrant the assumption that it would be able to face such criticism of the treaty as might be expected to come from the irreconcilable elements in the country.

When the negotiations¹ opened little difficulty was found in reaching agreement regarding the immediate termination of the

(1) The account which follows is in great part quoted from the Memorandum on the Negotiations, British White Paper, Cmd. 3575.

military occupation, on British support of Egypt's application for League membership, and on the establishment of an alliance between the two countries, entailing an agreed policy in regard to third States and in the event of either Party being involved in a serious dispute. It was agreed that the question of foreign advisers and instructors should be settled by an exchange of Notes, the British Government, while prepared to facilitate progressive Egyptianisation of Government services, requiring "some undertaking that the elimination of British influence through the termination of the employment of British officials would not involve the introduction of some other foreign influence in its place." It was agreed to record in an exchange of Notes agreement regarding the retention of the British Financial and Judicial Advisers for the full period of their contracts and regarding the gradual reduction in the numbers of the European element in the City Police over a five year period. In the matter of diplomatic representation, the precedence enjoyed by the first British Ambassador was to be reserved to his successors by a special provision in Notes annexed to the treaty.

The question of the Capitulations called for considerable discussion, but complete textual agreement was eventually reached regarding the article in the treaty and the annexed exchange of Notes.¹ "The defence of the Suez Canal gave rise to a very lengthy discussion. The Egyptian delegation had first suggested that all British forces should be concentrated at one point on the east bank of the Canal, first Port Fuad and subsequently Kantara being the points proposed. When these localities were shown to be inadequate for the purpose, the Egyptian delegation eventually agreed to the concentration of the forces in question to the west of the Canal in the neighbourhood of Ismailia, subject to a reduction from 25 to 20 years of the period during which the treaty would not be open for revision, except, of course, in the case where the parties thereto might agree to proceed to such revision at an earlier date." At the time when the negotiations were broken off, "agreement in principle appeared to have been reached as to the numbers of the British military and air forces for whom accommodation was to be provided, their location, and the disposal of the properties that they would vacate on transference to the neighbourhood of the Canal."²

"It was early recognised that the Sudan was likely to present a formidable problem to the negotiators. The insertion of the words 'without prejudice to Egypt's rights and material interests'

(1) For text, see Appendix III, pp. 60-61.

(2) See Appendix II, p. 55.

in the treaty article¹ as agreed before Easter and of a sentence in the connected Note providing for no discrimination in the Sudan between British subjects and Egyptian nationals in matters of commerce and immigration or the possession of property, furnishes no measure of the time devoted to discussion of all aspects of the question." An effort was made to meet the Egyptian point of view by the introduction of an entirely new and general provision under which the High Contracting Parties agreed, if either of them should so request, to enter into friendly discussions within one year from the coming into force of the treaty "with regard to any question arising out of the application of any article of the treaty with respect to which any difficulty might have arisen."

At one point in the discussions the prospect of agreement on these lines seemed hopeful. On the morning of April 17, however, Nahas Pasha informed the British negotiators that the Egyptian delegation "could not commit themselves to accept the treaty as they did not feel that their requirements in regard to the Sudan had been adequately met." Negotiations were adjourned until April 29 to allow Nahas Pasha to communicate with Cairo and despatch a copy of the draft treaty and annexed Notes. A further adjournment was necessitated by the delay in the return of the messenger despatched to Cairo. When proceedings were resumed on May 5 Nahas Pasha communicated an Egyptian counter-draft of the treaty and annexed Notes with two alternative drafts for the Sudan article.² But since similar suggestions had already been rejected by the British negotiators in April, the Egyptian delegation were informed that neither of these drafts was acceptable and that it was difficult to see why so many changes had been made in the draft treaty and Notes as they stood on April 17. They were reminded that the British negotiators had agreed to insert a new general article providing for friendly discussion within one year regarding difficulties arising out of the application of any article and that that article had been omitted from the Egyptian draft. "Nahas

(1) Article 11 in the British draft read: "While reserving liberty to conclude new conventions in future modifying the conventions of 1899, the High Contracting Parties agree that without prejudice to Egypt's rights and material interests the status of the Sudan shall be that resulting from the said conventions. Accordingly the Governor-General shall continue to exercise on the joint behalf of the High Contracting Parties the powers conferred on him by the said conventions."

(2) (a) "Without prejudice to Egypt's rights and material interests in the Sudan the High Contracting Parties agree that the question of the Sudan shall be reserved for future negotiations to be conducted between them in the course of the period of one year from the ratification of the present treaty." (b) Alternatively "... reserved for future negotiations. Meanwhile, the *de facto* position obtaining in the Sudan before 1924 shall be restored."

Pasha was informed that unless he agreed to the restoration of the British draft article no treaty was possible." He agreed to accept the article subject to two amendments,¹ and the right to annex a note to the effect that the Sudan article did not in any way affect Egypt's right of sovereignty over the Sudan. "The Egyptian delegation were informed that their counter-draft and note combined were unacceptable."

On the afternoon of May 6 Nahas Pasha said that he was prepared to accept the original wording of the British draft article with the addition of a sentence to the effect that "the High Contracting Parties agreed, if either of them should so request, to enter into friendly discussions within twelve months of the coming into force of the present treaty with regard to the application of the 1899 Convention." Further, the Egyptian delegation wished it to be made clear that the immigration of Egyptians into the Sudan would be subject to no restriction.

Proceedings continued throughout May 7 and into the early hours of May 8, "by which time agreement had been reached on all the articles of the treaty apart from the Sudan article."² "With regard to the Sudan, however, it was not possible to arrive at any formula which would satisfy the Egyptian demand for the right of unrestricted immigration of Egyptian nationals into the Sudan. A suggestion that the Governor-General would not exercise 'unreasonably' the right which any Government must possess to control immigration in the interests of its own nationals had to be abandoned, as the Egyptian delegation insisted on the omission of the word 'unreasonably.'" Further progress was impossible and the final British proposal was the acceptance of the Sudan article as it appeared in the British draft³ with the two proposed Egyptian amendments. The Egyptian delegation undertook to communicate their decision later.

"When the Egyptian delegation returned, they said they could not continue the negotiations unless His Majesty's Government modified their position. They were informed that the British negotiators could not modify the proposals which they had made overnight. This communication led to the termination of the negotiations." The heads of the two delegations expressed their regrets at the failure of their efforts and Mr. Henderson "made it clear to the Egyptian delegates that, if they found after their return to Egypt . . . that there was any hope of the draft treaty becoming an accepted instrument, it was still available, and he and his colleagues were prepared to try to reach agreement with

(1) The addition of the words "and settling the question of the Sudan" in the first sentence, and of the words "as one of the consequences" in the second.

(2) For text of Draft Treaty as agreed see Appendix I, p. 53.

(3) See above, p. 33, footnote 2.

regard to the few remaining passages in the Note annexed to the treaty in order to make signature possible."

The attitude of the Egyptian Delegation was governed to a considerable extent by the necessity under which it was placed of obtaining better terms than had been offered to Mahmud Pasha if it was to justify the claims of its supporters in Egypt. Statements appeared in the Cairo press in the middle of April which must have caused embarrassment to Nahas Pasha and his associates. On April 17, for example, the leading Wafd organ in Cairo led its readers to understand that an agreement had been reached on the question of the security of the Canal on the Premier's terms, and even went so far as to state that Egypt alone was to be entrusted with its defence, only a remark later on in the article making it clear that this was not to come about until after a lapse of 20 years. An atmosphere appears to have been created leading the public to believe that the British Government was ready to concede anything that the Delegation asked for, thus encouraging the extremist elements (and notably the students, whom even Zaghlul had failed to keep under control), in the belief that they had only to insist strongly on their wishes, and they would get all they wanted. A report current in Cairo late in April that Nahas might be going to accept terms which represented a compromise between the British and Egyptian views was the signal for a violent attack on him as a traitor, and even if he had been prepared to face criticism of this irresponsible character it was difficult for him to return to Egypt bearing terms which he could not show to be better than those secured by his political enemy.

The difficulties attendant on the settlement of the first three of the four reserved points might, however, have been dealt with without any sacrifice of principle ; that presented by the question of the future status of the Sudan proved the rock on which the negotiations foundered. The main difference of view was understood to be concerned with the interpretation of the British draft of Article IX of the otherwise agreed treaty.

Nahas Pasha contended that by this a return to the actual position in the Sudan was contemplated as it was before the murder of Sir Lee Stack in November, 1924, and the consequent expulsion of Egyptian officials and troops. The British Government held the view that the meaning of the Article was that there could be no change in the existing position until new Conventions had been concluded, which would take into consideration the Convention of 1899 and the realities of the situation as established by that Convention.¹ In this connection

(1) For the principal articles of the Convention of 1899 see Appendix II, p. 58.

it is important to remember that while that Agreement provided for the appointment by Khedivial Decree of a Governor-General nominated by the British Government, it left that official in a position of practical independence in respect of the Egyptian Government, and contained no suggestion that any responsible share in the administration of the country would devolve upon Egyptians.

Nahas Pasha made two demands which were unacceptable to the British Government. The first was that immigration into the Sudan should be unrestricted, and the second was the claim to be allowed to raise within a year the question of the 1899 Convention. He claimed that Egyptian sovereignty over the Sudan was undivided, that is, that the Condominium had a purely administrative, and not a political bearing. As regards the first demand, the British Government could not consent to deprive the Governor-General of all control over immigration, in view of the events of 1924, when with the advent of the Wafd Government early in that year a systematic campaign of anti-British propaganda had been started in the Sudan, leading to an outbreak of sedition and mutiny which had necessitated the removal of Egyptian officials and Egyptian troops.¹ (Under existing arrangements as to immigration Egypt is on the same footing as any other country, that is to say, visas to enter the Sudan have to be obtained from the Sudan Government or its representatives, but there is nothing to prevent Egyptians from acquiring land there should they desire to do so.)

As regards the second claim, since the draft treaty provided for Egypt's admission to membership of the League of Nations, to concede it would have meant that Great Britain would have been liable within a year to be summoned before an international tribunal to justify the manner in which the Condominium had been worked, and this was a contingency which the British Government were not prepared to admit.

Thus all that had been achieved in settling the questions concerning Egypt itself was abandoned, owing to the impossibility of finding an agreement regarding the Sudan, and the British Government returned to the position represented by the Declaration of February, 1922.

The Wafd leaders returned to Egypt with a considerably wider knowledge of the attitude of all the political parties in Great Britain than they possessed hitherto, and they accepted the position in an exemplary manner. Nahas Pasha paid a generous tribute to the friendly reception accorded to him and

(1) See above, pp. 15-18.

his associates, which was evidently inspired by something more than the dictates of diplomatic usage or the exigencies of international relations. In an interview in London just prior to his departure the Premier said : " Much as we regret the rupture of the negotiations, we do not in any way regret our visit to England. It has enabled us to establish the happiest relations with Mr. Henderson and other members of the British Government and British Parliament and also among distinguished public men. It has, above all, given us an opportunity to appreciate at close range the sterling qualities of the British people, who have not been sparing in their hospitality and expressions of friendship with our people and our country. We have lost a treaty of friendship with Great Britain, but we have won her actual friendship, which is all-important."

Thus ended the fifth attempt since the War to reach agreement as to the basis on which the relations between the two countries should be permanently established.

IV. INTERNAL DEVELOPMENTS, 1928-1935.

With the failure of negotiations in May, 1930, the clock was set back to February 28, 1922, and there, so far as the position of the British Government is concerned, it remained. During the greater part of the next five years Egypt was living under a dictatorship, and the Government had its hands full in dealing with domestic problems, both political and economic.

It will be remembered that Nahas Pasha had been removed from office by King Fuad in June, 1928, after which Parliament had been dissolved and forbidden to meet again for three years. Anxious to prevent a recurrence of such interference by the Palace, Nahas, in May, 1930, submitted to the King two Bills designed to prevent infringement of the Constitution, drafted in such a form as to ensure that the Wafd would be in a position to frustrate any future suspension of Parliament or violation by Ministers of certain articles of the Constitution. As the principal object of the Bills was to curtail the influence of the Palace it was not surprising that King Fuad, in the exercise of his constitutional prerogative, refused to initial them.¹ Had he done so and sent them on to the Chamber they would certainly have been passed, as the Wafd enjoyed an overwhelming majority in Parliament.²

As it was, Nahas Pasha regarded the refusal as an occasion for resigning, though why he should have done so is not clear,³ since the question of the Bills could not become a matter of practical politics so long as his Cabinet continued to carry out the normal functions of Government. The incident seemed to indicate that the Wafdists were more interested in controversial subjects and the promotion of legislation solely for their own protection than in concentrating upon the solution of economic problems or the carrying out of domestic reforms, which were particularly badly needed at the time.

(1) A recognized authority on Egypt summed up the Bills by saying: "The Wafd hoped by this combination in legislation to secure control over the exercise by the King of the prerogatives reserved to him under the Constitution, and make it impossible for anyone to challenge its position. In the circumstances, in holding up these decrees the King was defending not only his prerogatives, but also his people against the creation of a permanent dictatorship, which the legislation in question was clearly intended to confer on the Wafd."

(2) The elections held in December, 1929, had been boycotted by the Liberal Constitutional Party. The Shaab Party had not yet been formed. The Wafd, besides controlling Parliament, commanded the support of the vast majority of the people, and Nahas had just been accorded an almost unanimous vote of confidence by both Houses.

(3) It is supposed that he counted on a show of firmness making the King give way, as had happened in 1924 when Zaghul took up a similar attitude.

The Premier's resignation gave the King his opportunity, and he asked Sidky Pasha, who had a reputation as an experienced economist, to form a Cabinet. Parliament was at first adjourned for a month, and on July 12 the session was closed. This last step was taken chiefly owing to the outbreak of serious disturbances, for which the Wafd leaders were mainly responsible. Regardless of the fact that he had resigned voluntarily, and that he and his party had refused to recognise the Constitution at the time it was drafted and adopted (in 1922 and 1923), Nahas now posed as the champion of that Constitution, which he accused the Government of violating, and preached non-cooperation to his followers, exhorting them to refuse to pay taxes.

It is true that Sidky Pasha had in contemplation a certain number of changes in the electoral law, by which he hoped to do something towards making the representation of the interests of the people a reality. The 1923 Constitution had originally provided for elections by the two degree system, as being best suited to an electorate of whom between 80 and 90 per cent. were illiterate,¹ but Zaghlul had altered this, in 1924, and instituted the direct system. Under this there was not elected a Parliament which really represented the will of the nation, but a body which, largely because it was too ill-informed to formulate any policy of its own, laid itself open to the accusation of doing little more than carry out the wishes of the Wafd caucus.

Sidky Pasha was acting on behalf of most of the enlightened political opinion of the country in now proposing modifications which the experience of six or more years had shown to be advisable. Among these were reductions in the size of both the Senate and Chamber, and the return to two degree elections. The Wafd, on its side, adopted three methods by which to work against the Government. In the first place it preached non-cooperation, and incited the populace to riot and to destroy Government property ; in the second, it attempted to hold meetings of the suspended Parliament and petitioned the King to convene it in extraordinary session ; and in the third, it conducted a campaign in Great Britain which had as its object the persuading of the British Government to intervene in the internal affairs of Egypt.²

The retort to the disturbances was the arrest of Wafd leaders and the suppression of its papers. To the petition to the King

(1) Groups of thirty electors, on the basis of adult suffrage, were to select delegates, who in turn elected the Parliamentary deputies. The delegates had to possess certain qualifications of property and capacity. See Appendix IV, p.62.

(2) One of the Wafd leaders spent much time in London in 1930 agitating on behalf of intervention by Great Britain on the Wafd side against the Egyptian Government.

the Premier replied that it was unconstitutional. It was true that a majority of Parliament had the right to ask for the convening of the session, but this right could only be exercised if it did not affect any other right granted under the Constitution. The presentation of the petition just after the King had accepted the advice of his Ministers to end the ordinary session could have no other object than to defy his Majesty's prerogative of prorogation.

Attention has been drawn to the development of this constitutional crisis not only because it had its effect on the subsequent progress of events, but also because it led to something in the nature of a passage of arms between the Egyptian and British Governments. Mr. MacDonald, in his anxiety to dissociate the British Government from the struggle which was going on between Sidky Pasha and the Wafd, made a statement¹ which was interpreted in Cairo as constituting an assumption of the right to interfere. He was careful to emphasize that the British Government's policy was one of neutrality in "what appeared to them to be a purely internal issue for the Egyptians themselves to decide," but he went on to say that the High Commissioner had been instructed "to make it quite plain that H.M. Government did not intend to be used as an instrument for an attack on the Egyptian Constitution. In consequence they could be no party to an alteration to the electoral law, even if precluded by their Declaration of 1922 from actual intervention in an internal issue of this nature."

As Sidky Pasha and his Cabinet were then preparing to make alterations in the electoral law, this statement was seized upon as evidence of the assumption of a right to intervene, and they retorted, in effect, that no one had asked for the British Government's help. In a reply on July 18, Sidky went on to say: "Now this declaration of the British Government's intention could be justified only if the Egyptian Government has asked its support in the execution of such a matter. But in the absence of such a request, which the Government retains the right to make as an independent State, the said statement can only be interpreted here as intervention in a definite and precise sense in affairs of an internal character."

Another point to which Sidky Pasha took exception was that Mr. MacDonald had warned him that the British Government held him responsible for the protection of foreign lives and property in Egypt, at the same time sending a similar warning to Nahas Pasha, holding him "equally responsible." As Sidky pointed out,

(1) In the House of Commons on July 16, 1930.

Nahas had ceased to have a *locus standi* in the matter when he resigned his office.

The incident was closed with the statement by Mr. MacDonald, on July 29, that during the disorders order had been effectively preserved by Egyptian troops. At the same time, two warships which had been ordered to Alexandria were withdrawn.

In October, 1930, the changes in the electoral law were published,¹ and the new Constitution was promulgated by Royal Decree on October 22. Sidky Pasha had stated earlier that if he altered the electoral law it would only be "with a view to obtaining real representation of the country and the return of deputies who understand the meaning of representation," and he now emphasized that the new Constitution safeguarded the fundamental principles of that of 1923, which, as he pointed out, had been drafted by men who were for the most part members of his own Cabinet.

The new Constitution was to enter into force on the next assembly of Parliament, for which elections would be held in the following May (1931). The Wafd at once decided to boycott them, to fight the new Constitution, and to refuse to accept any treaty with Britain which might be negotiated by Sidky's Government, and in this programme of action they were joined by the Liberal Constitutional Party, led by Mahmud Pasha, the ex-Premier. Riots and strikes followed in Cairo and some provincial towns.

While the opposition was active in this direction Sidky himself was making good progress in his task of restoring the economic position of the country and reforming the administration. In providing for the preservation of order he was compelled to use methods which could be described as high-handed by his opponents, and protests against certain administrative acts² were issued from the Wafd headquarters, among them being one from the women of Cairo, addressed to the British Residency, against the systematic use of British police to prevent "pacific" demonstrations.

The elections were duly held, in spite of the boycott, Sidky Pasha having meanwhile founded a new party under the title of the Shaab, or People's Party of Reform.³ The Wafd claimed that

(1) The age for voting was raised from 21 to 25 years, and the elector delegates were to be men of education and standing in their constituencies. The Senate was reduced from 132 to 100 members, and the Chamber from 235 to 150.

(2) In May, 1931, just before the elections, for instance, the Governor of Cairo prohibited the holding of the Wafd National Congress.

(3) Eighty-three Shaabists were returned, 38 Ittihad Party, 17 Independents, and 8 Nationalists.

few people went to the polls, but the Government figures showed that in Middle Egypt 65 per cent. of the electorate had voted, in Cairo, 38 per cent., and in Alexandria, 71 per cent. The Premier issued a statement maintaining that the issue had been a constitutional one, and that the ballot showed that the new Constitution had been accepted by the country, and actually the number of electors who voted was stated to be greater than in 1929, when voting had been carried out under the direct system with adult suffrage. Parliament met on June 20, 1931, and from that moment until 1934, Egypt disappeared from the news.

This would, at any rate, seem to show that the country was, in general, satisfied with the manner in which its interests were being represented, and with the Government's methods of administration. The Premier himself concentrated very wisely on dealing with the economic depression, ignoring the agitation carried on by the Wafd, and in this he was helped by the indifference of the masses of the country to political problems, of which, to begin with, they understand little or nothing, and which can never compare in importance in their eyes with the question whether they can obtain the water they need and can sell their cotton advantageously.

There was much to be done, since the Wafd Cabinet's neglect of the routine "business" of administration had added to the difficulties due to the economic depression.

In September, 1933, Sidky Pasha's health broke down, largely owing to overwork, and he was succeeded by Yehia Pasha, who formed a Government of Independents, and for over a year, again, Egypt was happy in that she had no history. It was not until October, 1934, that any further political developments of concern to the British Government again occurred, and this time the Wafd was not involved. King Fuad's health had been giving cause for much anxiety during the year, and his withdrawal from public life had allowed a situation to develop in which Ibrashi Pasha, the Director of the Royal Privy Purse, had taken decisions in his name which were severely criticized both by the Government and by public opinion.

The Premier took the step of consulting the British Residency for advice as to the best means of dealing with this situation, in which there was established in the Palace an unofficial and unconstitutional—but none the less effective—regency with which the Government could not work. In doing so, however, he laid himself open to the charge of countenancing British interference with the internal affairs of the country, the more especially as he appears to have taken the Residency's advice. That this advice

was the best suited to the difficulties which it was desired to solve did not make it any less objectionable in Egyptian eyes, and though Yehia Pasha succeeded in securing the appointment of Ziwar Pasha as Chief of the Royal Cabinet,¹ an office which had been vacant for three years, and in getting rid of two of his Ministers,² the unpopularity of his actions in having carried on even informal discussions with the Residency, and in allowing Palace interference in the work of the Cabinet, compelled him to hand in his resignation.

He was succeeded by Nessim Pasha, who at once realised that the causes of the Ministerial crisis must be removed, and that these lay in the situation which had come about as the result of the illness first of Sidky Pasha, and then of the King. This situation has been well summarized in the following words :

“ The main point at issue was the adjustment of the political situation in the light of the altered conditions created by the elimination from active direction of State affairs of both of the two strong men, King Fuad and Sidky Pasha, who jointly took control four years ago. The effects of Sidky Pasha's withdrawal were rendered less noticeable at the time by King Fuad's own efforts ; but when his Majesty's illness temporarily obscured the second dominant factor in the State, a crisis became only a matter of time. The pretence that King Fuad was still exercising his personal authority broke down in the face of his long illness, and, with the ensuing deadlock between the Palace entourage and the Government of Yehia Pasha, the need for a complete overhauling of the constitutional position to meet the altered conditions became generally recognised. Fortunately the health of King Fuad improved sufficiently to enable him to decide that provision must be made for a substitute for his own direct supervision. . . . Nessim Pasha realized that a mere tinkering with the situation would not meet Egypt's real needs. Arrangements made in 1931 when both King Fuad and Sidky Pasha were available in the full enjoyment of physical health offered no lasting provision to meet all possible contingencies in State affairs. It is in no way derogatory to Egypt that she should require time to evolve a written Constitution that will satisfy all her requirements. The Constitution of 1923 was based on the supposition that the country possessed all the experience necessary to work successfully the most up-to-date democratic institutions. When this theory was belied, the 1930 Constitution was modelled on the belief that there would always be two strong men in the country to make a success of it. It is now realized that provision must be made for a variety of contingencies, and Nessim Pasha, who has been charged with the formation of the new Cabinet, is understood to have asked the King to agree to certain modifications.”³

The new Premier, a former Minister of Finance and a man of

(1) On October 27, 1934 ; this placed Ziwar Pasha in a position to control the activities of Ibrashi, and as an experienced and liberal politician himself, to tender good advice to the King. Ibrashi Pasha resigned in April, 1935.

(2) Two of the Ministers—those of Agriculture and Communications—were believed to be under the influence of the Palace, and they were dismissed by the Premier on November 1, 1934.

(3) From *The Near East*, November 15, 1934, “ Notes,” p. 893.

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independent outlook, was known to have very definite views on the subject of unconstitutional methods. Among the conditions he put forward for accepting office were the dissolution of Parliament and the holding of elections for a new Parliament which should give its verdict on the Constitution. He himself was not believed to have any fondness for the 1930 Constitution, and to object particularly to Article 156, which provided that no amendment could be brought within ten years. He seems to have persuaded the King, at his first audience, that the Constitution should be abolished, and on November 30, 1934, his Majesty signed a decree to that effect. This provided that the form of State should be maintained, and until a new Constitution had been promulgated the legislative and other powers of Parliament were vested in the Sovereign, who governed through his Ministers. All decree laws were, however, to be submitted to the new Parliament when it was formed.

The fact that Nessim Pasha did not approve of the 1930 Constitution was interpreted in the country, in Wafd circles at any rate, as foreshadowing the restoration of that of 1923,¹ and his advent to power was acclaimed as a Wafdist triumph, but Nessim soon gave evidence of his independence of Wafd influence, if only by his choice of Ministers.

The Wafd leaders, finding that the Government could get on without them, began to adopt new methods of extending their influence, e.g., the establishment in February, 1935, of a Higher Council for Labour, by which it was hoped to bring labour within the orbit of the Party, a move which challenged the authority of the official Labour Office, as the Government had been engaged in organizing local labour on legal and non-political lines for over three years. And as recently as January, 1936, the Wafd decided to organize the young men among its followers in bodies moulded on the Nazi S.A., with a distinctive uniform, and a programme in which the teaching of the spirit of discipline and love of country take a prominent part.²

To return to the Constitutional problem, some stir was created in May, 1935, by the publication of a letter from the King to Nessim Pasha, dated April 18, in which his Majesty expressed a wish for a return to constitutional government, preferably by the restoration of the 1923 Constitution "with any modifications which the representatives would demand."

(1) Though the Wafd had nothing good to say for the 1923 Constitution at the time, it has been the foremost plank in their programme for the past five years.

(2) On January 11 the Government prohibited parades of these "Blueshirts."

From this moment the movement in support of a return to that Constitution spread from the Wafd to nearly all the other sections of Egyptian opinion. In June the Wafd, in the belief that the Cabinet favoured this, issued a manifesto worded in such a way as to suggest that they would now give Nessim Pasha their support, and attributing to British interference the fact that nothing had yet been done towards restoring the Constitution of 1923.

V. EVENTS LEADING UP TO THE REOPENING OF NEGOTIATIONS, 1935-6.

By September, 1935, the Italo-Abyssinian situation had become acute, and Nahas Pasha and his supporters awoke to the necessity of deciding what course they were to follow in the event of the British Government calling upon Egypt for collaboration in the measures to be taken in the face of the Italian threat to peace. In a speech on September 8, the Wafd leader emphasized that there could be no co-operation with Britain unless the people of Egypt so willed, adding that "we shall not take part in a coming war unless we can do so on the basis of co-operation between equals."

The possibility of such an eventuality called attention to the deficiencies of Egypt's military equipment, and here again much criticism of Great Britain was heard, in that she had imposed restrictions on the strength of the Egyptian Army.¹

Meanwhile, conversations had been going on between the Premier's office and the Residency as to the effects the developments in Libya and East Africa might have on Egypt, and on September 16 the Acting High Commissioner handed to Nessim Pasha a Note assuring him that Great Britain was fully alive to the interests and anxieties of Egypt, and would, if occasion arose, "keep the Egyptian Government informed and enter into consultation with them regarding any developments of the international situation which may closely concern Egypt."

During October a number of steps were taken by joint arrangement between the Egyptian and British authorities, among them being the strengthening of the British garrison and the stationing of additional troops on the Libyan frontier.² Early in November the Foreign Office took the precaution of assuring the Egyptian Minister in London that the Government had no intention whatever of taking advantage of the circumstances existing in the Mediterranean to alter the *status quo* of Egypt, and that they fully appreciated that country's attitude.

In spite of this the cry of British interference was raised again, this time by Mahmud Pasha, the leader of the Liberal Party, who also attacked Nessim for governing without a Constitution.³ The

(1) A Wafd paper published, on October 8, an article pointing out that owing to this Egypt was almost incapable of taking military precautions such as other countries were doing.

(2) Here the garrison was composed of a joint British and Egyptian force.

(3) The occasion was a meeting in Cairo on November 7, attended by all parties except the Wafd leaders.

Wafd had been silent on this subject for some time, presumably on the ground that the Cabinet was, after all, only an interim one, to hold office until the elections, which it was sure would go in its favour. It kept up its prestige by representing the Cabinet as merely a bridge to its own return, but when it was apparent that Nessim Pasha was working in collaboration with the Residency in the matter of defence, it again raised the issue of British interference.

A reference to Egypt by Sir Samuel Hoare in a speech on November 9, 1935,¹ was seized upon as evidence of this. On November 12 the Wafd Executive formally withdrew its support from the Government and called upon it to resign. To support the charge of subservience to Great Britain they declared that in June they had insisted with Nessim Pasha on the reintroduction of the 1923 Constitution, but that he had told them this was not possible, since the British Government had advised against it, and recommended that a new one be drafted.

It is doubtful whether, outside Wafd circles, any support was to be found for the 1923 Constitution among instructed opinion until quite lately; the fact that it had been suspended three times in less than seven years alone suggests that experience had proved its unsuitability, but the Wafd's insistence on the need for its restoration² had its effect on public opinion, and when Sir Samuel Hoare referred to it in terms which suggested that it had not proved a success, a wave of patriotic feeling swept through the country, with its usual accompaniment of rioting and anti-British demonstrations.

One development which followed a second reference to Egypt by Sir Samuel Hoare³ was of an altogether unexpected character. On December 9 a meeting was held in Cairo at which a United Front was formed of all the parties in opposition to Nessim Pasha's

(1) The speech, made at the Guildhall just before the British General Election, reviewed the National Government's past policy. The passage regarding Egypt ran: ". . . Egypt has spontaneously and willingly come out on the side of world peace . . . There have, however, been in certain quarters suggestions in the contrary sense. It has been alleged that his Majesty's Government wish to use the present situation in order to advance their own at the expense of Egypt's interests. This is not true . . . Equally untrue are the allegations that we oppose the return in Egypt of a constitutional régime suited to her special requirements. With our traditions we could not and would not do any such thing. When, however, we have been consulted we have advised against the re-enactment of the Constitutions of 1923 and 1930, since the one was proved unworkable and the other universally unpopular . . ." *The Times*, November 11, 1935.

(2) The system of direct election suits the Wafd far better than the two degree system, and in practice ensures them a majority in Parliament.

(3) In the House of Commons on December 5, 1935; the Foreign Secretary made it clear that he had only given his opinion in response to a request by the Egyptian Government.

Government, and the Premier was only saved from overthrow by the action of the King in agreeing to the restoration of the 1923 Constitution. This was followed, on December 19, by the re-enactment, with only slight modifications, of the electoral law of 1923.¹

On December 12, 1935, the United Front leaders presented to the High Commissioner a Note to be communicated to the British Government requesting the opening of negotiations. They pointed out that the cooperation with Great Britain entailed by the Abyssinian crisis provided an excellent opportunity for concluding a treaty, and that they were ready to conclude the treaty negotiated in 1930, and "to settle questions on which agreement is not reached in the same friendly spirit." Referring to these as obstacles to the country's development, the Note listed them in the following order: (1) the Capitulations; (2) the existence of European direction in the Department of Public Security; (3) the lack of an adequate army²; and (4) the exclusion of Egypt from the international concert. The Note did not mention the Sudan.

It was signed by men of such divergent views as Nahas Pasha, Mahmud Pasha and Sidky Pasha—the two last irreconcilable opponents of Nahas—and by Shamsi Pasha, leader of a group of dissident Wafdists. But in qualification of this unity it should be noted that, a few days after the announcement of the restoration of the 1923 Constitution, Nahas Pasha, counting with certainty on victory at the coming elections, announced that the Wafd would share with no other party the privilege of negotiating a treaty with Great Britain.

In spite of the restoration of the Constitution, the time which lapsed between the despatch of the United Front's Note and the issue of the British reply on January 20, 1936 was marked by continuous unrest and rioting. The rioters were mainly students, who chose this means to express their criticism of every step taken by the British or by their own Government which did not exactly conform to their ideas of the management of the country. Their irresponsibility, particularly in instigating the schools to strike, caused anxiety as much to the Egyptian as to the British authorities, and in view of the serious damage to Government property the Rector of Cairo University was obliged in February to hold a conference with the Public Security Department to consider how best to combat the student insubordination.

(1) For the principal provisions of the Constitution and electoral law of 1923, see Appendix IV, p. 62.

(2) The strength of the army was limited to 12,500 men, excluding the King's bodyguard.

The problem would have been easier to deal with had the rioters had any avowed object, but their purpose was hard to determine. For instance, while Nessim Pasha's Government remained in office they demonstrated against its handling of the situation; when it resigned (on January 22, 1936) they demonstrated with increasing violence against the delay in appointing a new one. When the British Foreign Minister mentioned Egypt in his speech of December 5 they protested against the terms he used in doing so, and when he did not mention Egypt in a speech of January 17, they protested against being ignored.

The British answer to the United Front's Note¹ was communicated by the High Commissioner, on January 20, to King Fuad, the Egyptian Government and the leader of the Wafd. It expressed willingness to enter at once into negotiations, but—doubtless in order to preclude the waste of time and effort which had occurred on previous occasions owing to the putting forward at the eleventh hour of demands which could not be accepted—it "thought it desirable to begin with the categories which had given most difficulty in 1930,"² namely, military questions and the Sudan.

The former were put first. The Note made it clear that altered conditions resulting from the developments in East Africa rendered impracticable the undertakings given in the military clauses of the 1930 Treaty,³ and said that this therefore called for revision and discussion. This fact was not unrecognised in Cairo, for it was obvious that many years must elapse before the Egyptian army could be equal to the duty of defending the country against such dangers as might threaten it were the Eastern Mediterranean to be the scene of war.

The second point stressed in the Note was that should agreement be reached on the military question it would also be desirable to reach a preliminary agreement as to the status of the Sudan. The significance of this stipulation is clear in the light of all past negotiations, in which the clash of views as to the degree of Egyptian control in the Sudan had proved an invariable and sometimes a last-minute stumbling block. Further, the recent events in East Africa had vested the problem with a new significance, for the fact that the Sudan frontier marches with Abyssinia for some 800 miles, and that the source of three important rivers contributing to Egypt's water supply—the Blue

(1) At the time of writing the full text has not been published.

(2) Mr. Eden, in the House of Commons, February 4, 1936.

(3) Covering withdrawal of all military and air forces to the Suez Canal zone, reduction of land forces to 8,000 and air force to 3,000 men and the undertaking to free the Egyptian army of its obligations to employ British personnel; see Appendix II, p. 55.

Nile, the Atbara and the Sobat—are in Abyssinian territory could not be overlooked, being important from the Egyptian, as well as from the British, point of view.¹

In communicating the reply, Sir Miles Lampson added, verbally, that if the negotiations were to fail the British Government would feel obliged to review their position in Egypt and define their relations with her anew.²

It was this warning which, taken in Wafd circles as a threat that should the negotiations fail the British Government might revert to suspension of the Constitution, caused the Exchange of Notes formally fixing the conditions for the negotiations, and the Egyptian Royal Decree nominating the delegates, to be delayed for several weeks.

The publication of the British reply subjected Nessim Pasha's cabinet to fire from all the non-Wafd sections of the press, which charged the Premier with being under the influence of the Wafd. On January 22, putting forward the reason that he had only taken office for the restoration of the 1923 Constitution and to prepare for the Election, Nessim Pasha handed his resignation to the King. His Majesty sent for the Wafd ex-Premier, Nahas Pasha, who would, presumably, have been prepared to form a Cabinet had he been given a free hand as to its composition; but the King is believed to have pointed out that a Coalition Government was what was wanted, in view of the opening of negotiations with Great Britain, especially as the delegation would have to contain representatives of all the parties.

To this Nahas would not agree. Apparently he did not really consider that there was any necessity for a change of Government at all, as the elections were shortly due—they had been fixed for March 10—and at that time it was not expected that negotiations would be opened until after Parliament had met. He added that the United Front had agreed that a new Government should be formed from a Parliamentary majority, and, as to the delegation, he gave an undertaking that if that majority was a Wafd one, the leaders of all the parties in the United Front would be included when the members of that body were nominated.

The Wafd Executive endorsed the ex-Premier's refusal to head a coalition Government, and the King had perforce to ask Nessim Pasha to carry on for the time. On January 30, however,

(1) It should be noted that, after the Italians reached Lake Tana early in April, 1936, the Italian Minister in Cairo twice visited the Egyptian Premier (then Ali Pasha Maher), and that certain Cairo newspapers announced that the Italian Government was prepared to negotiate direct with Egypt regarding the eventual use of Lake Tana as a reservoir for the Egyptian irrigation scheme.

(2) See *The Times*, January 22, 1936.

the deadlock was ended by the action of Ali Pasha Maher, Chief of his Majesty's Cabinet, who, after negotiations with the various parties, assumed the Premiership himself. He formed a neutral Cabinet of experienced politicians who had not been identified with extremist party views, and this plan had the advantage of improving the chances that the election would be held without the exercise of undue pressure on the electorate.

One of the first tasks awaiting the new Cabinet was the question of the alleged "threat" uttered by Sir Miles Lampson. After some discussion between the Prime Minister and the High Commissioner it was arranged that the position should be placed on record in an Exchange of Notes. This was done on February 13, the Egyptian Note expressing the view that, in the presence of Sir Miles Lampson's remarks, the negotiations could not be carried out with complete freedom, and asking for an assurance in this regard.

The British reply was non-committal. The Government were confident, it stated, that both sides would do their utmost to maintain cordial relations, and they were themselves animated with sentiments of the most cordial good-will towards Egypt. The Note went on to say that "while they must reserve liberty of action for an unknown future, they do not feel that if, notwithstanding goodwill on both sides, there should be failure to reach agreement, this need necessarily affect the good relations of the two countries which it is their hope not merely to maintain, but to strengthen."

The preliminary negotiations opened in Cairo on March 2. In one respect the atmosphere seemed more auspicious than ever before. For whereas on previous occasions the Egyptian case had always been conducted by one party, whose leading representative, whether Wafdist, Liberal or Independent, was invariably hindered by the manoeuvres of political opponents,¹ this time the thirteen members included all parties. The delegation consisted of seven members of the Wafd, led by Nahas Pasha, while the six non-Wafdists were three of the ex-Prime Ministers in the United Front, Sidky Pasha, Mahmud Pasha and Yehia Pasha—leaders of the Shaab, Liberal Constitutional and Ittihad parties respectively—Shamsi Pasha, leader of the dissident Wafdists, Hilmy Issa Pasha and Hafez Afifi Pasha, who was included in view of his experience as Minister in London in 1931-3.

The British delegation was led by Sir Miles Lampson and included naval, military and air experts of highest rank.

(1) Sarwat, Mahmud and Nahas were, in 1927, 1929 and 1930, each in turn denounced as traitors by their political opponents at the mere rumour that they might be compromising on any of Egypt's claims.

The opening speeches produced a good impression. Nahas Pasha, speaking first, hoped that the coming conversations would be carried out in the same spirit of trust and understanding as those in 1930. He went on to refer to the crisis which threatened to disturb the peace of the world, and to the necessity for an agreement which would link the two nations together in all eventualities. Sir Miles Lampson replied equally cordially. The British Government, he said, believed and hoped that this time by the exercise of patience and understanding and a display of determined goodwill on both sides a satisfactory agreement would be reachable. He referred to the method adopted, of preliminary conversations preceding formal negotiations, as the likeliest way of reaching the desired aim. The British Government looked forward to the time when, as the result of a treaty, a new era would be established in the relations between the two countries when, Egypt having assumed complete sovereignty, Great Britain and Egypt would appear before the world as allies and equals.

From that date the negotiations proceeded in private. Up to the time of writing, only the briefest *communiqués* have been published and little is known as to their progress. They were suspended at intervals for various Christian and Moslem holidays, for the death of King Fuad on April 28¹ and for the Egyptian elections on May 2,² and therefore progressed slowly, the military question being the only subject discussed. Press rumours of a deadlock were in part belied by *communiqués* reporting that "considerable ground has been covered and satisfactory progress made in certain directions."³ Some points, however, raised complications, and on May 30 it was announced that the High Commissioner must leave for London to consult with the Government on certain points; the conversations were, therefore, held up until after his return to Egypt at the end of June, 1936.

Chatham House.
July 2, 1936.

(1) Which involved the appointment of a Council of Regency to act on behalf of the Heir Presumptive, Prince Farouk.

(2) These resulted in a strong Wafd majority, as did the Senatorial elections on May 7. The new Chamber was composed as follows:—

Wafd	163
Liberals	17
Shaab	8
Dissident Wafd	8
Ittihad	5
Nationalists	4
Independents	14

(3) *The Times*, April 21, 1936.

APPENDIX I.

TEXT OF THE AGREED DRAFT TREATY OF 1930.

ARTICLE 1.

The military occupation of Egypt by the forces of His Britannic Majesty is terminated.

ARTICLE 2.

As Egypt intends to apply for membership of the League of Nations, His Britannic Majesty recognises her right as a sovereign independent State to become a member of the League on complying with the provisions of the Covenant of the League.

ARTICLE 3.

His Britannic Majesty recognises that the responsibility for the lives and property of foreigners in Egypt devolves exclusively upon the Egyptian Government, who will ensure the fulfilment of their obligations in this respect.

ARTICLE 4.

His Britannic Majesty recognises that the capitulatory régime now existing in Egypt is no longer in accordance with the spirit of the times and with the present state of Egypt.¹

His Britannic Majesty accordingly undertakes to use all his influence with the Powers possessing capitulatory rights in Egypt to obtain, in conditions which will safeguard the legitimate interests of foreigners, the transfer to the Mixed Tribunals of the jurisdiction of the existing Consular Courts, and the application of Egyptian legislation to foreigners.

ARTICLE 5.

An alliance is established between the High Contracting Parties with a view to consolidating their friendship, their cordial understanding and their good relations.

ARTICLE 6.

Each of the High Contracting Parties undertakes not to adopt in foreign countries an attitude which is inconsistent with the alliance, or to conclude political treaties inconsistent with the provisions of the present Treaty.

ARTICLE 7.

Should any dispute with a third State produce a situation which involves a risk of a rupture with that State, the High Contracting Parties will consult each other with a view to the settlement of the said dispute by peaceful means, in accordance with the provisions of the Covenant of the League of Nations and of any other international obligations which may be applicable to the case.

ARTICLE 8.

Should, notwithstanding the provisions of Article 7 above, either of the High Contracting Parties become engaged in war, the other High Contracting Party will, subject always to the provisions of Article 12 below, immediately come to his aid in the capacity of an ally. The aid of His Majesty the King of Egypt, in the event of war, or imminent menace of war, will consist in furnishing to His Britannic Majesty, on Egyptian territory, in accordance with the Egyptian system of administration and legislation, all the facilities and assistance in his power, including the use

(1) For the Exchange of Notes on this subject, see Appendix III, Annex, p. 60.

of his ports, aerodromes and means of communication. It will accordingly be for the Egyptian Government to take all the administrative and legislative measures necessary to render these facilities and assistance effective.

ARTICLE 9.

In view of the fact that the Suez Canal, while being an integral part of Egypt, is a universal means of communication as also an essential means of communication between the different parts of the British Empire, His Majesty the King of Egypt, until such time as the High Contracting Parties agree that the Egyptian army is in a position to ensure by its own resources the liberty and entire security of navigation of the Canal, authorises His Britannic Majesty to station near Ismailia, in the zone specified in the annexed note, such forces as do not exceed the number therein agreed upon, with a view to ensuring in co-operation with the Egyptian forces the defence of the Canal; for the same purpose the Royal Air Force depot will be transferred from Abukir to Port Fuad. The presence of these forces shall not constitute in any manner an occupation and will in no way prejudice the sovereign rights of Egypt.

It is understood that at the end of the period of twenty years specified in Article 14 the question whether the presence of British forces is no longer necessary owing to the fact that the Egyptian army is in a position to ensure by its own resources the liberty and entire security of navigation on the Canal may, if there has been any difference between the High Contracting Parties, be submitted for settlement to the League of Nations.

ARTICLE 10.

His Britannic Majesty will be represented at the Court of His Majesty the King of Egypt and His Majesty the King of Egypt at the Court of St. James's by Ambassadors duly accredited.

ARTICLE 11.

(Sudan Article.)

[For alternative texts, see above, p. 33, footnotes 1 and 2.]

ARTICLE 12.

Nothing in the present Treaty is intended to or shall in any way prejudice the rights and obligations which devolve, or may devolve, upon either of the High Contracting Parties under the Covenant of the League of Nations or the Treaty for the Renunciation of War signed at Paris on the 27th August, 1928.

ARTICLE 13.

The High Contracting Parties agree that any difference on the subject of the application or the interpretation of the provisions of the present Treaty which they are unable to settle by direct negotiations shall be dealt with in accordance with the provisions of the Covenant of the League of Nations.

ARTICLE 14.

At any time after the expiration of a period of twenty years from the coming into force of the Treaty, the High Contracting Parties will, at the request of either of them, enter into negotiations with a view to such revision by agreement between them of its terms as may be appropriate in the circumstances as they then exist. In case of disagreement the difference will be submitted to the League of Nations.

Nevertheless, at any time after the expiration of a period of ten years from the coming into force of the Treaty, negotiations may be entered into with the consent of both the High Contracting Parties with a view to such revision as aforesaid.

ARTICLE 15.

The present Treaty abrogates any existing agreements or other instruments whose continued existence is inconsistent with its provisions. Should either High Contracting Party so request, a list of the agreements and instruments thus abrogated shall be drawn up in agreement between them within six months of the coming into force of the present Treaty.

ARTICLE 16.

The present Treaty is subject to ratification. Ratifications shall be exchanged in Cairo as soon as possible. The Treaty shall come into force on the date of the exchange of ratifications and shall be duly registered with the League of Nations.

APPENDIX II.

NOTE ON THE FOUR RESERVED POINTS.

1. THE SECURITY OF THE COMMUNICATIONS OF THE BRITISH EMPIRE AND EGYPT.

The importance which Egypt's geographical situation gives her needs no emphasizing. Of particular importance in this connection is the Suez Canal, "the essential means of communication between the different parts of the British Empire." While the British Government was able, in 1927, to offer to the Egyptians the termination of the military occupation of Egypt, they made the reservation that a British force should be maintained upon Egyptian territory in localities to be agreed upon, to the east of longitude 32° E. It has been argued—and in international circumstances existing in 1936 the argument is even more cogent—that this precaution is insufficient, in view of the fact that the Suez Canal cannot be protected without Cairo being held by British troops, as it is from Cairo alone that drinking water can be supplied to the points on the Canal bank where troops might be stationed. In the course of the negotiations of 1930 the Egyptian delegation at first suggested that all British forces should be concentrated at one point on the East bank of the Canal, first Port Fuad, opposite Port Said, and then Kantara being the points proposed. It was proved, however, that these localities were unsuitable for the purpose, and the delegation eventually agreed to the concentration of the forces in question to the west of the Canal in the neighbourhood of Ismailia, subject to a reduction from 25 to 20 years of the period during which the Treaty would not be open for revision. The British Government, on its side, agreed to restrict the strength of the military forces to 8,000 men and of the Air Force to 3,000 men.

2. THE DEFENCE OF EGYPT AGAINST ALL FOREIGN AGGRESSION OR INTERFERENCE, DIRECT OR INDIRECT.

This reserved point has a close connection with its predecessor. It would naturally prove disastrous should a foreign Power either occupy Egypt or exert such an influence over that country as seriously to interfere with British interests in the Sudan or in Egypt itself and with British lines of communication.

By Clause 8 of the draft treaty of 1930 it was provided that should either of these countries become engaged in war the other one would immediately come to its aid in the capacity of an ally.

3. THE PROTECTION OF FOREIGN INTERESTS IN EGYPT AND THE PROTECTION OF MINORITIES.

Britain is by no means the only foreign Power with interests in Egypt, but, since her interests are of a more vital character than those of any other country, it has been her policy to see to it that foreign individuals and communities resident in Egypt should receive fair and just treatment, since miscarriages of justice would lead such foreigners to complain to the countries of their origin, and such complaints might be followed by an interference and action on the part of foreign Powers, which might prove embarrassing to Great Britain. The protection of foreign interests in Egypt was thus, from the first, one of her especial cares.

In the 1930 draft treaty Article 2 stated that the British Government recognised Egypt's right to become a Member of the League; Article 3, that they recognised that the responsibility for the lives and property of foreigners in Egypt devolved exclusively upon the Egyptian Government, who would ensure the fulfilment of their obligations in this respect; Article 5 that an alliance was established between the two countries; and Article 6 that each of them undertook not to adopt in foreign countries an attitude which was inconsistent with the alliance.

From an early date the Capitulatory system has been in force in Egypt¹. It has been considered for some time that this system is cumbrous, out of date and inconsistent with the political development of Egypt since the war. Accordingly, in the negotiations of 1927 and subsequently between the British and Egyptian Governments, suggestions were considered of possible arrangements which would allow of the closing by foreign Powers of their Consular Courts in Egypt.

Article 4 of the draft treaty of 1930 stated that since it was recognised that the Capitulatory régime was "no longer in accordance with the spirit of the times and with the present state of Egypt," his Britannic Majesty should undertake to use all his influence with the Powers possessing Capitulatory rights in Egypt to obtain, in conditions which would safeguard the legitimate interest of foreigners, the transfer to the Mixed Tribunals of the jurisdiction of the existing Consular Courts, and the application of Egyptian legislation to foreigners.

A draft exchange of Notes between Mr. Henderson and Nahas Pasha in May, 1930, covered the details of the proposed arrangements for such transfer of the powers of the Consular Courts.²

4. THE SUDAN.

It was this, the fourth reserved point, which was responsible for the final breakdown of the 1930 negotiations, and as it has complicated Anglo-Egyptian relations from the first it merits further study.

The control of the Sudan is of immense importance strategically, and its importance in this respect increases as the British control of Egyptian affairs grows less. The Sudan is intimately connected with both the Nile and the Suez Canal, and it is the Egyptian Nationalist contention that Egypt and the Sudan should, by rights, be one country. Historically, it seems that this contention may be confidently challenged while, during

(1) See Appendix III, p. 60.

(2) For text of these Notes, see Appendix III, Annex, p. 61.

the period that Egypt exercised sovereignty over the Sudan, her methods of ruling would seem scarcely to justify the suggestion of a second attempt. She lost the country in the 80's, and did no more than contribute with troops and funds to its reconquest by Lord Kitchener in 1898.

The status of the Sudan is defined by the Anglo-Egyptian Convention of 1899, which lays down that Great Britain was "by right of conquest" entitled "to share in the settlement of the administration and development of the Sudan." By this claim, and in virtue of this convention, the authority of the Turkish Sultan was definitely excluded, as also was the Capitulatory régime of Egypt, and "no foreign Consuls should reside in the country without the consent of the British Government." The Governor-General, who has supreme military and civil power, was to be appointed by the Khedive of Egypt on the recommendation of the British Government. The Sudan is an Anglo-Egyptian Protectorate virtually controlled by Great Britain. The flags of Great Britain and Egypt fly side by side in the Sudan, but the administration is British and Sudanese.

This Convention established what is known as the Condominium. Simultaneously with the issue of the Declaration of February, 1922, Mr. Lloyd George, then Prime Minister, referring to the question of the Sudan, stated in the House of Commons¹ that "His Majesty's Government could not agree to any change in the status of that country which would in the slightest degree diminish the security for the many millions of British capital which are already invested in its development. Egypt, on the other hand, has an undeniable right to the most ample guarantees that the development of the Sudan shall never threaten or interfere with her existing water-supply or with that which she may require to bring her own territory under full cultivation."

The question of the Sudan next came to the front when the Egyptian Constitution was in process of drafting. The draft presented by the Commission to the Government in October, 1922, referred to the Sudan in two Articles. The first stated that "The King is to be styled King of Egypt and the Sudan," and the second read, "Although the Sudan belongs to the Egyptian Kingdom, the Constitution does not apply to it, and a special Administration will be provided."

Lord Allenby, in a Note to the Egyptian Government, made it clear that the British Government could not agree to the promulgation of a Constitution containing these two clauses. This Note had the desired effect and when on April 19, 1923, King Fuad signed the Constitution, the clause referring to the Sudan ran as follows:—

"The present Constitution is applicable to the Kingdom of Egypt. This clause does not prejudice the rights which Egypt has over the Sudan. The title which the King of Egypt will bear will be established after duly accredited delegations have fixed definitely the status of the Sudan."

The claims respecting the Sudan put forward by the Egyptians during the negotiations of 1927, 1929 and 1930 formed the principal obstacle to agreement, and their acceptance by Great Britain was rendered more difficult, and in fact impossible, by the activities of Egyptian agents in the Sudan during 1923 and 1924—who went there specially to stir up trouble—and by the murder of the Sirdar.²

In particular, in 1930, Nahas Pasha, the Wafd leader, sacrificed the opportunity of concluding a draft treaty satisfactory to both Governments

(1) On February 28, 1922.

(2) See above, p. 16.

for the sake of a claim to unrestricted interference in Sudanese affairs. In spite of this, on his return to Egypt he was attacked for having discussed the status of the Sudan at all. He had to declare in Parliament that there had never been any question, in the discussions, of making any distinction between the two countries; Egypt, with the Sudan, was, in fact, one country.

ANNEX.

PRINCIPAL ARTICLES OF THE ANGLO-EGYPTIAN CONVENTION REGARDING THE SUDAN, JANUARY 19, 1899.¹

Whereas certain provinces in the Sudan which were in rebellion against the authority of His Highness the Khedive have now been reconquered by the joint military and financial efforts of Her Britannic Majesty's Government and the Government of His Highness the Khedive;

And whereas it is desired to give effect to the claims which have accrued to Her Britannic Majesty's Government, by right of conquest, to share in the present settlement and future working and development of the said system of administration and legislation;

ARTICLE 1. The word "Sudan" in this Agreement means all the territories south of the 22nd parallel of latitude, which—

1. Have never been evacuated by Egyptian troops since the year 1882; or
2. Which, having before the late rebellion in the Sudan been administered by the Government of His Highness the Khedive, were temporarily lost to Egypt, and have been reconquered by Her Britannic Majesty's Government and the Egyptian Government, acting in concert; or
3. Which may hereafter be reconquered by the two Governments acting in concert.

ARTICLE 2. The British and Egyptian flags shall be used together, both on land and water, throughout the Sudan, except in the town of Suakin, in which locality the Egyptian flag alone shall be used.

ARTICLE 3. The supreme military and civil command in the Sudan shall be vested in one officer, termed the "Governor-General of the Sudan." He shall be appointed by Khedivial Decree on the recommendation of Her Britannic Majesty's Government, and shall be removed only by Khedivial Decree, with the consent of Her Britannic Majesty's Government.

ARTICLE 4. Laws, as also orders and regulations, with the full force of law, for the good government of the Sudan, and for regulating the holding, disposal, and devolution of property of every kind therein situate, may from time to time be made, altered, or abrogated by Proclamation of the Governor-General. Such laws, orders, and regulations may apply to the whole or any named part of the Sudan, and may, either explicitly or by necessary implication, alter or abrogate any existing law or regulation.

All such Proclamations shall be forthwith notified to Her Britannic Majesty's Agent and Consul-General in Cairo, and to the President of the Council of Ministers of His Highness the Khedive.

ARTICLE 5. No Egyptian Law, Decree, Ministerial Arrêté, or other enactment hereafter to be made or promulgated, shall apply to the Sudan

(1) British and Foreign State Papers, Vol. XCI, p. 19.

or any part thereof, save in so far as the same shall be applied by Proclamation of the Governor-General in the manner hereinbefore provided.

ARTICLE 6. In the definition by Proclamation of the conditions under which Europeans, of whatever nationality, shall be at liberty to trade with or reside in the Sudan, or to hold property within its limits, no special privileges shall be accorded to the subjects of any one or more Power.¹

ARTICLE 8. The jurisdiction of the Mixed Tribunals shall not extend, nor be recognised for any purpose whatsoever, in any part of the Sudan (except in the town of Suakin).

ARTICLE 9. Until, and save so far as it shall be otherwise determined by Proclamation, the Sudan (with the exception of the town of Suakin), shall be and remain under martial law.

ARTICLE 10. No consuls, vice-consuls, or consular agents shall be accredited in respect of, nor allowed to reside in the Sudan, without the previous consent of Her Britannic Majesty's Government.

Done in Cairo, the 19th January, 1899.

(Signed)

CROMER.
BOUTROS GHALI.

APPENDIX III.

NOTE ON THE CAPITULATIONS AND MIXED COURTS.²

The Capitulations were a system devised by the Sultans of the Ottoman Empire. They consisted in the grant to the nationals of certain Powers³ of special commercial privileges, immunity from personal taxation without the consent of their Governments, inviolability of domicile, protection from arbitrary arrest and, last, but not least, the right to be tried only in their own Courts. Owing to the confusion resulting from the multiplicity of Consular Courts the Mixed Courts were introduced in 1876.

Since that date, while criminal cases continued to be tried in the Consular Courts (the defendant having the right to be tried in his own Court), civil cases were handed over to the Mixed Courts.

The Charter of 1876 set up three Mixed Courts of first instance sitting in Cairo, Alexandria and Mansurah, and a Court of Appeal sitting at Alexandria. A foreign judge presides over each Court, and the number of foreign and Egyptian judges is in a fixed proportion, any increase in the number of Egyptian judges, possible with the permission of the Court of Appeal, automatically necessitating an increase in the number of foreign judges so as substantially to maintain the proportion.

The nomination and choice of judges rests with the Egyptian Government, but in actual practice the Egyptian Government has usually invited the foreign Powers concerned to suggest names for its consideration.

(1) Articles 7, 11 and 12, which are omitted, dealt with import and export duties, the prohibition of slave trading and the enforcement of the Brussels Act of 1890 (*re* import, etc., of arms and spirits).

(2) See *The Mixed Courts of Egypt*, by J. Y. Brinton.

(3) In 1936 the Capitulatory Powers in Egypt were: Belgium, Denmark, France, Great Britain, Greece, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, and U.S.A. (As a result of the war Austria-Hungary, Germany and Russia lost their Capitulatory rights.)

Judges are appointed for life, and their salaries and pensions are paid to them directly by the Egyptian Government. Vacancies in the Court of Appeal are generally filled by promotion from the District Courts.

The Charter made no provision for the distribution of seats amongst the Capitulatory Powers. Eventually, however, this very delicate question was settled by a series of special agreements and diplomatic understandings, with the ultimate result that in practice each Capitulatory Power can claim a minimum of two seats in the District Courts; in the event of a smaller Power being represented in the Court of Appeal, it can only claim one seat in the lower Courts. By an agreement of 1889 Greece obtained the right to a seat in the Court of Appeal.

The Egyptian Government can, at its discretion, appoint representatives of non-Capitulatory States to seats not specially assigned to any Capitulatory Power, e.g., the appointment of a Swiss judge in 1929, and of a German in 1926.

The principle of equality of representation of all the Great Powers was recognised, on the whole and with a few exceptions, until 1921, when during the régime of martial law additional British judges were appointed as a preliminary measure to the projected re-organisation of the Mixed Courts under British trusteeship.

At present the composition of the Courts is as follows :—

Court of Appeal : 10 foreign judges, 6 Egyptian judges.

Mixed Courts : Cairo : 17 foreign judges, 8 Egyptian judges.

Alexandria : 10 foreign judges, 6 Egyptian judges.

Mansurah : 7 foreign judges, 3 Egyptian judges.

The question of the Capitulations has figured in all negotiations between Great Britain and Egypt. In 1930 an exchange of Notes was drawn up (see below) and was annexed to the draft treaty. In this the British Government undertook to persuade other Capitulatory Powers to agree to the suppression of the Consular Courts, the transfer of their jurisdiction to the Mixed Courts, and the application of Egyptian law to their nationals, in conditions which would safeguard the legitimate interests of foreigners.

ANNEX.

AGREED TEXT OF THE PROPOSED EXCHANGE OF NOTES IN REGARD TO THE REFORM OF THE CAPITULATIONS MAY, 1930.¹

BRITISH NOTE.

With regard to the second paragraph of Article 4 of the Treaty signed to-day, His Majesty's Government in the United Kingdom recognise that the conditions in which the Capitulations are at present applied as regards the power of the Egyptian Government to legislate for or to impose taxation on foreigners are no longer consistent with modern conditions.

They are prepared to agree that in future any assent which is necessary before Egyptian legislation, including fiscal legislation, is applied to foreigners shall be given by the General Assembly of the Mixed Tribunals, except in the case of legislation relating to the constitution or jurisdiction of the Mixed Tribunals themselves, which should not come into force until it has been approved by the Powers. The competence of the General Assembly of the Mixed Tribunals should consist in satisfying itself that

(1) British White Paper, Cmd. 3575, p. 39.

the legislation in question is not inconsistent with the principles generally adopted in modern legislation, which is applicable to foreigners, and, with particular relation to legislation of a fiscal character, that it does not inequitably discriminate against foreigners, including foreign companies.

The transfer to the Mixed Tribunals of the jurisdiction now exercised by the Consular Courts, which will, of course, be subject to the provisions of paragraph 8 of the Egyptian note of to-day's date, will necessitate the revision of the existing laws relating to the organisation and jurisdiction of the Mixed Tribunals, including the preparation and promulgation of a new Code of Criminal Procedure. For these purposes His Majesty's Government in the United Kingdom would be prepared to accept as a basis the principles which resulted from the discussions which took place on this subject in 1920.

It may be difficult for some Powers to agree to the transfer to the Mixed Tribunals of all suits relating to the "statut personnel" of their nationals. Transfer in the case of these questions would be facultative. Jurisdiction in such matters should remain with the consular authorities unless an agreement is made between the Egyptian Government and the foreign Government concerned for its transfer to the Mixed Tribunals.

There are certain matters as to which it will be necessary for agreement to be reached between the Egyptian Government and His Majesty's Government in the United Kingdom, but it is unnecessary to do more at the moment than mention these subjects.

The first is the definition of the word "foreigner" for the purposes of the proposed extension of the jurisdiction of the Mixed Tribunals.

The second is the increase in the personnel of the Mixed Tribunals and Mixed Parquet which will be necessitated by the proposed extension of their jurisdiction.

The third is the procedure in the case of pardons or remissions of sentences imposed on foreigners, and also in connexion with the execution of capital sentences imposed on foreigners.

EGYPTIAN NOTE.

In acknowledging this Note, Nahas Pasha stated that his Government were in general agreement with the British Government as to the lines on which the reform of the Capitulatory system should proceed, and went on :

" I wish, however, to make it clear that the willingness of the Egyptian Government to conclude arrangements on these lines for the reform of the Capitulatory régime is entirely without prejudice to their desire to secure the eventual abolition of that régime.

" As regards the revision of the existing laws relating to the organisation and jurisdiction of the Mixed Tribunals and the preparation of a new Code of Criminal Procedure the Egyptian Government recognise that they shall not diverge from the principles generally adopted by modern legislation which is applicable to foreigners."

APPENDIX IV.
THE CONSTITUTION OF 1923.

The Constitution of 1923 was modelled on that of Belgium. Drafted by a special Government Commission in 1922, it was promulgated on April 19, 1923, abrogated in 1928 and restored in 1936. Its main provisions were :—

1. Egypt is declared to be a Sovereign State, free and independent, its monarchy hereditary, and its Government representative. Egyptians have equal legal, civil and political rights, irrespective of race, religion or language. Liberty of the individual and of religious belief is guaranteed.

2. All power emanates from the nation. The King exercises legislative powers concurrently with the Senate and Chamber of Deputies. Each House has the right to initiate laws, but the King and Chamber of Deputies alone can deal with taxes. No measure can become law unless it is voted by Parliament and sanctioned by the King.

3. The throne is hereditary in the family of Mehemet Ali, and the succession is in accordance with the existing rescript.

4. The King can dissolve the Chamber of Deputies, to which Ministers jointly and separately are responsible.

5. All powers shall be exercised through the intermediary of the Ministers. No one who is not an Egyptian, and no member of the reigning dynasty, may become a Minister.

6. The King appoints and dismisses Ministers.

7. The Parliament consists of a Senate and Chamber of Deputies. The King nominates two-fifths of the Senate, and the remaining three-fifths shall be elected by universal suffrage, one Senator to 180,000 inhabitants, for a period of ten years.

8. Half of the Senate is to be renewed every five years.

9. The King nominates the President of the Senate.

10. The Deputies shall be elected by universal suffrage, one Deputy to 60,000 inhabitants, with a mandate for five years.

11. Provincial representative government is confirmed.

12. Taxes can only be imposed, reduced or abolished by law, and no public loan, or undertaking committing the Treasury, may be contracted, and no concession or monopoly can be accorded, without the consent of Parliament. The Budget must be presented to Parliament three months before the beginning of the financial year and must first be discussed and voted in the Chamber of Deputies. The existing financial obligations and other international obligations cannot be modified.

13. The provisions relative to the representative Parliamentary régime and the succession to the throne cannot be revised.

14. The Constitution is applicable to the Kingdom of Egypt without prejudice to the rights which Egypt has in the Sudan. The King's title will be established after the status of the Sudan has been definitely fixed by negotiation.

The Egyptian Electoral Law was promulgated on April 29, 1923. Its provisions may be summarised as follows :—

1. All male Egyptians from 21 years of age and upwards to have the suffrage.

2. Each group of thirty electors to nominate one Delegate to participate in the elections.

3. Legislative Assembly candidates must be 30 years of age.

4. Candidates for the Senate must be 40 years of age.

5. The Governor of each district is responsible for the freedom of the

suffrage ; every 60,000 inhabitants to be represented by a member in the Legislative Assembly, every 180,000 in the Senate.

6. All balloting to be secret.

(NOTE.—This electoral law did not affect the Provincial Councils. These continued to be regulated by the electoral law of July 21, 1913.)

The Electoral Law provided for a system of balloting by two stages, but Zaghul Pasha, who was then Prime Minister, altered this in 1924, substituting the direct system ; the Law of the Constitution, however, was not changed.

THE CONSTITUTION OF 1930.

The 1930 Constitution, drafted by a Commission set up by Sidky Pasha in October of that year, provided for a return to the electoral system of 1923. Sidky himself justified the change in a statement¹ in which he said : " If I alter the Electoral Law, it will be only with the view of obtaining a real representation of the country and the return of Deputies who understand the meaning of representation."²

The amendments³ to the Constitution were published on October 21, 1930, accompanied by a Government statement which pointed out that the Commission of 1922 had based its work on the two degree electoral system, and went on to say that the action of the Wafd in transforming this into a system of direct election was in itself a violation of the Constitution, and was not demanded by the public. The number of Deputies was " more than good government or the present state of a homogeneous, mainly agricultural country requires, and should not exceed 150. Direct election has been a failure ; it is believed that the indirect method will result in the election of the more intelligent and progressive villagers by universal suffrage, and that these secondary electors can be trusted to vote for reputable candidates."

The statement also contained a retrospective analysis of the working of Constitutional Government since 1923, and in it a severe attack was made on the Wafd Party and its " autocratic incapacity." The Report indicated that the amendments in the Constitution and the electoral laws were necessitated by the conduct of this party, which " resorts to the intimidation of electors and Deputies " and " when dismissed, exploits the sympathy of the masses."

The Liberal-Constitutional Party, under Mahmud Pasha, opposed the new Constitution on the ground that " the authority of Parliament over public finances and legislation as well as Ministerial responsibility have been reduced to a shadow." Against this statement may be set the fact that it was on Mahmud's advice that the Constitution had been suspended by the King for three years on July 19, 1928.

(1) Issued on September 11, 1930.

(2) As between 80 and 90 per cent. of the Electorate were illiterate, it was not felt that their votes were exercised with the requisite sense of responsibility.

(3) The principal changes were the following :—

1. Number of Senators to be 100, vice 132.
2. Number of Deputies to be 150, vice 235.
3. Three-fifths of the Senators to be nominated by the King.
4. Age limit for voters to be 25, vice 21.
5. Manhood suffrage to remain in force and election to be by the two-degree system.
6. A vote of want of confidence would in future require an absolute majority of the total membership of the Chamber.
7. The right to decide the validity or invalidity of the election of Deputies or Senators was transferred from Parliament to the Courts.
8. Private Members were prevented from introducing financial Bills.

APPENDIX V.

THE NILE WATERS AGREEMENT OF 1929.

The claim of Egypt to assurances that her supply of water would never be endangered by political or other developments has always been acknowledged by Great Britain, and Lord Milner, in his Report, recognised that although Egypt and the Sudan were in his opinion two different countries and bound to develop on very different lines, Egypt would always have one interest of supreme importance in the Sudan.

"The Nile, upon which the very existence of Egypt depends," he wrote, "flows for hundreds of miles through the Sudan, and it is vital to Egypt to prevent any such diversion of water from the Nile as might diminish her present cultivable area or preclude the reclamation of her soil, some 2,000,000 acres in extent, which is capable of being brought under cultivation, when, by means of storage, the present supply of water available for irrigation has been increased."

He added, however, that it was out of the question for Egyptian interests in Nile water to be safeguarded by means of subjecting the Sudan to Egyptian political domination.

Lord Curzon in 1921 promised that Great Britain would undertake to secure for Egypt her fair share of the waters of the Nile, and that no new irrigation works would be begun on that river or its tributaries south of Wadi Halfa without the concurrence of three conservators representing Egypt, the Sudan, and Uganda respectively. Mr. MacDonald, in October, 1924, reiterated that the British Government was prepared to secure Egypt's interests in the Nile Water supply. But in spite of these assurances the assassination of Sir Lee Stack led the British Government, in November, 1924, to threaten to increase the Gezireh irrigation area in the Sudan from 300,000 *feddans* to an unlimited extent. Zaghlul Pasha protested that this threat to the water supply of Egypt was out of all proportion to the occasion which led to it, and Sir Austen Chamberlain, in the House of Commons, admitted that the wording of the demand might have been different. Ziwar Pasha, who succeeded Zaghlul Pasha as Prime Minister, secured a written withdrawal of the threat in an exchange of notes on January 26, 1925.

As a result of this exchange of notes a mixed commission was appointed to examine the whole question of the Nile water supply and to propose a basis on which irrigation could be carried out with full consideration of the interests of Egypt "and without detriment to her natural and historic rights." This commission reported in March, 1926, and its findings were adopted substantially as they stood¹ in a subsequent exchange of notes which took place between Mahmud Pasha and Lord Lloyd on May 7, 1929.

Egypt was guaranteed an adequate share of the water supply. Great Britain also promised that facilities would be granted to Egyptian officials for discharging their duties with respect to measuring the distribution of Nile water. No new irrigation or power works would be built on the Upper Nile by Great Britain without the previous consent of the Egyptian Government. Lord Lloyd's letter to Mahmud Pasha ended with the most positive assurances that the detailed provisions of the agreement would be observed at all times and under any conditions that might arise.

(1) The Report was, in fact, an integral part of the Agreement, for text of which see British White Paper, Cmd. 3348.

It should be noted that the agreement was entirely non-political in character ; at the same time it did not include technical details, but merely removed obstacles to the progress of the whole scheme of Nile control and of the apportionment of the waters of that river between Egypt and the Sudan by establishing the fact that the two Governments were in accord as to the broad principles to be followed in developing the irrigation programmes of the two countries.

APPENDIX VI. THE SUEZ CANAL COMPANY.

The Suez Canal Company (*Société Universelle du Canal Maritime de Suez*) functions by virtue of two concessions granted by the Viceroy of Egypt and dated November 30, 1854 and January 5, 1856.¹ It is a *société anonyme*, and is governed by the provisions of the French code respecting such companies, the Court of Appeal in Paris being the ultimate resort. The offices of the Company are in Port Said and Cairo, and the jurisdiction of cases of a local character lies with the Egyptian Courts. Paris, on the other hand, is the administrative domicile of the Company. The Company is governed by a Board of thirty-two directors, of whom twenty-one are French, ten British,² and one Dutch. It was agreed in 1936 to reserve two seats on the Board to Egyptians. Of a total of 400,000 shares issued, 176,602, or about 44 per cent., are in British hands.³

The Concession was to run for 99 years,⁴ and it is therefore due to terminate in 1968. At that date, if the Egyptian Government decides not to renew it, the question of the compensation to be paid to the Company is to be decided by negotiation.

The international status of the Canal is governed by the Convention of October 29, 1888, signed between Great Britain, Germany, Austria-Hungary, France, Italy, the Netherlands, Russia, Spain and Turkey, respecting "the Free Navigation of the Suez Maritime Canal."⁵ The essence of the Convention is contained in the first of its seventeen articles, which lays down that :—

"The Suez Maritime Canal shall always be free and open, in time of war as in time of peace, to all merchant or war vessels, without flag discrimination.

Consequently, the High Contracting Parties agree in no way to prevent the free use of the Canal in time of war as in time of peace.

The Canal shall never be used for the exercise of the right of blockade."

Under the provisions of the Convention, however, Great Britain is by virtue of special rights⁶ entitled to close the canal (Article 10), but only in the event of Egypt being involved in war or of such action being necessary for the defence of Egyptian territory and of the Canal itself.

- (1) Finally confirmed by the Sultan in 1866.
- (2) Of these, three are appointed by His Majesty's Government and the remaining seven by the London Committee which represents shipowning interests.
- (3) Purchased from the Khedive in 1875.
- (4) From 1869, when the Canal was opened.
- (5) The validity of the signature of Austria-Hungary, Germany and Turkey lapsed with the war, but was revived by the respective Treaties of Peace.
- (6) The Peace Treaties also recognised the transfer to Great Britain "of the powers conferred upon His Majesty the Sultan" by the Convention 1888, by virtue of which the Ottoman Empire was granted special rights in relation to the defence of Egypt and the Canal.

Apart from this, legal opinion is generally agreed that the Convention remains valid, and that Great Britain would not have the right to close the Canal as a sanction against a State declared to be the aggressor.¹ In practice, however, closure could scarcely be effective without the employment of naval or military forces to prevent access to the approaches, both in the Mediterranean and the Red Sea. The legal question, therefore, need not arise if naval action is resorted to under the direction of the League.

APPENDIX VII.

POLITICAL PARTIES AND LEADERS.*

Popular Party (Shaab) : Organised in November, 1930, by Sidky Pasha. Composed of wealthy citizens, discontented Liberal Constitutionalists and politicians. Advocates Egypt's complete independence and the maintenance of sovereignty over the Sudan ; an agreement with the British Government on points reserved, and the carrying out of that agreement in a way which will guarantee amicable relations between the two countries ; abolition of the Capitulations, the maintenance of amity between natives and foreigners, and the strengthening of friendly relations which will help continue mutual confidence between Egypt and the other Powers, and the admission of Egypt to the League of Nations. Supports the 1930 Constitution, which accorded greater power to the Crown than the Constitution of 1923.

Leader : Ismail Sidky Pasha (formerly Premier).

Unionist Party (Ittihad) : Pro-Palace ; founded in January, 1925, by a Palace official and composed of former Constitutionalists or Wafd Party members. Has the same policy as the Liberal Constitutional Party, but makes an issue of loyalty to the Egyptian Crown, and is distinguished, like the Shaab Party, by its support of the 1930 Constitution.

Leaders : Yehia Ibrahim Pasha (President of the Party, President of the Senate), Hilmy Issa Pasha (formerly Minister of Education), Sayed Pasha Abu Ali, and Ahmad Ali Pasha (formerly Minister of Justice).

National Party (Watani) : Oldest and most extreme party of Abbas Hilmy, the deposed Sultan. Opposes all negotiation with Great Britain until her troops are withdrawn. Advocates complete independence of Egypt and the Sudan, and the cession of such regions as Berber and Zeila on the Red Sea. Party now has very few supporters.

Leaders : Hafez Ramadan Bey (President of the Party), Abdel Hamid Bey Said and Abdel Rahman El-Rafei.

Wafd Party : Founded in April, 1924, by Zaghlul Pasha, incident to the recrudescence of the national movement after the War. It is representative of nationalist aspirations and is supported by a great

(1) The question of closing the Canal was discussed by legal experts in the early stages of the Italo-Abyssinian dispute. See *Bulletin of International News*, Vol. XII, No. 3, August 17, 1935. "The International Status of the Suez Canal."

(2) Based on information given in the *Political Handbook of the World*, Council on Foreign Relations, New York, 1936.

body of Egyptians. Announces that it will work for complete independence amicably, without hatred or animosities, that it will safeguard the 1923 Constitution, and cultivate friendly relations with foreign Powers in general, and Great Britain in particular. The Wafd refused to recognise the 1930 Constitution and electoral law, and its participation in the elections of May and June, 1931 was limited to appeals to the electorate to boycott the elections.

Leaders : Mustapha Nahas Pasha (President of the Party, formerly Premier), Makram Ebeid, Mahmud Fahmy el Nekrachi and Ahmed Maher Effendi (formerly Minister of Education).

Saadi Wafd Party : Better known as the dissident Wafd, was formed in the autumn of 1932 by a number of the less extreme Wafdists, dissatisfied with what they alleged to be the intransigent, impractical policy of Nahas Pasha. The Party refused generally to make its participation in a Cabinet contingent, as did the Wafd, upon the restoration of the Constitution of 1923 and the old electoral law, while contemplating the revision of the Constitution of 1930 after new elections. Members have now largely returned to Wafd camp.

Leaders : Ali Shamsi Pasha, Hamad el Bassil Pasha and Baheidin Barakat Bey.

Liberal Constitutional Party : Founded in October, 1922. Supported by so-called aristocrats and intellectuals. Has favoured negotiating with Great Britain to obtain independence of Egypt and Sudan gradually. In general, pursues a policy of moderation. The party took no part in the election of December, 1929, thus throwing entire responsibility for possible rejection of the treaty with Great Britain on the Wafdists. On April 1, 1931, it concluded a pact with the Wafd to boycott the elections, to refuse the acceptance of any treaty under which the elections were held, and to refuse the acceptance of any treaty negotiated with Great Britain by Sidky Pasha. The pact between the two parties subsequently lapsed.

Leaders : Mohammed Pasha Mahmud (President of the Party, formerly Premier), Ahmed Bey Abdel Gaffar, Mahmud Abdel Razek Pasha, and Gafaar Pasha Wali (formerly Minister of War).

The United Front formed on December 9, 1935 for purposes of negotiation with Great Britain included all these parties except the Watani.

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AND
PALESTINE
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I. THE SIGNIFICANCE OF PALESTINE

Perhaps the most serious aspect of any disturbance in Palestine is the fact that the two communities chiefly concerned—the Jews and the Arabs—are not local entities, but form part of two groups with religious and racial affinities all over the world. Any trouble in Palestine, therefore, at once takes on international dimensions. It affects 15,000,000 Jews dispersed throughout most countries in the world ; it is a matter of intimate concern to the new Arab States and to Egypt ; it is a vital problem for Great Britain as Mandatory Power and for the whole British Commonwealth with its tradition of friendship to both communities and its Moslem population of 100,000,000. Further, Palestine, under whatever régime it is governed, is as important as Egypt from the point of view of British imperial communications. Strategically, it is the eastern outpost against any potential threat to the Suez Canal ; it is the outlet of the oil pipe line from Mosul ; it is a halting place on the international air route to India and beyond, and it is a starting point for the desert motor road to Asia.

The fact that the recent disorders coincided with a period of tension in the Mediterranean has led rather too freely to the assumption that they were engineered from outside Palestine. Now that the trouble has abated, it is possible to gain a perspective and to see that the root cause is to be found in Palestine itself, and that any intervention from abroad was mere fishing in troubled waters.

For though the strike is over, the problem persists ; moreover, it is something more fundamental than the mere fulfilment of British promises made during the world war or under the terms of the Mandate. It has become the psychological problem of how to reconcile two powerful movements—the time-old yearning of the Jews to return to the Promised Land and to possess a home which is theirs as of right, and the Palestinian Arab desire for promotion to national status. This last has received impetus from the emancipation of Iraq and, more lately, from the Anglo-Egyptian and Franco-Syrian treaties. The Arabs do not demand Jewish withdrawal ; their aim is a stoppage of further immigration in order to dispel their growing fear that the Arab population of Palestine is about to be overwhelmed by sheer force of numbers and by the superior wealth, organisation and economic power of the newcomers. This fear can without exaggeration be regarded as the primary cause of the recent six months' strike of almost the entire Palestinian Arab nation.

II. THE WAR-TIME PROMISES TO JEWS AND ARABS

The Arab fear of Jewish predominance which was so evident during the recent disturbances is not a new development ; it is an intensification of unrest and resentment which have simmered for years, and which date back to undertakings given by the Allies during the world war.

*The Pre-war
Situation*

Jewish colonisation was known to the Palestinian Arabs long before the war. The Holy Places have always held their special significance for many creeds. Zionism is as old as the Captivity, and even before the foundation of the Zionist Organisation in 1897¹ Jewish agricultural colonies were being planted in different parts of the country. The first estate, near Jaffa, was bought as early as 1855 by Sir Moses Montefiore ; and from then until the end of the century colonisation " was carried on by young Jews from Russia and Rumania, enthusiastic Zionists who came to Palestine without sufficient means or knowledge, but found a patron in Baron Edmond de Rothschild," who helped them with money and expert guidance and gave their work a definite direction.² After 1900 the administration was entrusted by Baron Edmond to the Jewish Colonisation Association³, and independent settlement was conducted by the Zionist Organisation. These agricultural settlements, which were self-governing, accounted for some 12,000 of the 85-90,000 Jews in Palestine in 1914 ; a full half of these lived in Jerusalem for religious reasons, next in importance being the communities in the " holy cities " of Safed, Tiberias and Hebron.⁴

There are two fundamental differences between the pre-war and the post-war situation. The first is that the pre-war settlement of Jews in Palestine was dictated by religious motives, whereas post-war Zionist immigration is essentially a political movement. The second is that the war awakened a spirit of nationalism throughout the Near East, and that the post-war Arab population is fired with sentiments to which the pre-war generation did not aspire.

(1) See below, p. 24.

(2) For further details of the types of colonisation practised, see Ruppin, *The Jews in the Modern World*, pp. 173-77, from which the passage is quoted.

(3) This Association, usually known as the I.C.A., was founded in 1881 by Baron Maurice Hirsch for the purpose of setting Jews in agriculture all over the world.

(4) Revusky, *The Jews in Palestine*, pp. 19-20. The number is approximate; there was no census under Turkish rule ; the total population of what is now Palestine was at the time about 650,000.

In 1915 the Allies, bent on harrying the Turks from every possible quarter, held out to the Arabs the hope of becoming an independent nation. Advances were made both by the Mesopotamian Expeditionary Force and through the authorities in Egypt,¹ but by 1915 the differences between the various Arab elements in Arabia had rendered the efforts of the former abortive, and the task of securing Arab co-operation was left to the Cairo authorities.²

The question of Arab independence was chiefly discussed in a long-drawn out correspondence in 1915 between Sir Henry McMahon, High Commissioner in Cairo, and Sharif Hussein of Mecca. The British authorities have never published the correspondence, but its gist is widely known; it has been much discussed, and is summarised and even quoted by well-informed authors.³

The area over which independence should function was the Sharif's main concern, and acting on behalf of that nebulous political entity "the Arab people," he made a very comprehensive demand in a letter dated July 14, 1915. The area, he said, should be bounded:

"On the north by Mersina-Adana up to the 37th degree of latitude, on which degree fall Birejik, Urfa, Mardin, Midiat, Amadia, Jezira, as far as the borders of Persia. On the east by the frontiers of Persia up to the Gulf of Basra. On the south by the Indian Ocean, with the exception of the colony of Aden, which is excepted from these boundaries. On the west by the Red Sea and the Mediterranean Sea up to Mersina."

i.e., the whole of the Arabian peninsula (except Aden) and all of what is now Iraq, Palestine, Transjordan and Syria, running up to the borders of Persia on the east and slightly into the present Turkish State on the north.

Sir Henry's reply, dated October 24, 1915, contains the passage which was regarded by the Arabs as their Magna Carta:

"The districts of Mersina and Alexandretta and portions of Syria lying to the west of the districts of Damascus, Hama, Homs, and Aleppo, cannot be said to be purely Arab, and should be excluded from the proposed limits and boundaries.

(1) For a summary of the negotiations carried on by Sir Percy Cox, Chief Political Officer of the Mesopotamian Expeditionary Force, Sir Henry McMahon, High Commissioner in Cairo, and Sir Reginald Wingate, the Sirdar of the Egyptian Army and Governor-General of the Sudan, see Philby, *Arabia* (Modern World Series), pp. 231-260.

(2) For an interesting account of the energy and imagination which they applied to this task see T. E. Lawrence's *Seven Pillars of Wisdom*.

(3) e.g. Temperley, *History of the Peace Conference*, Vol. VI, p. 14; Graves, *Land of the Three Faiths*, pp. 50-51; Philby, *Arabia*, pp. 242-3; Loder, *The Truth about Mesopotamia, Palestine and Syria*, pp. 19-20; Stoyanovsky, *The Mandate for Palestine*, pp. 5-7.

With the above modification, and without prejudice to our existing treaties with Arabs chiefs, we accept those limits and boundaries and, with regard to those portions of the territories therein in which Great Britain is free to act without detriment to the interests of her ally, France, I am empowered in the name of the Government of Great Britain to give the following assurances, and make the following reply to your letter :

Subject to the above modifications, Great Britain is prepared to recognise and support the independence of the Arabs within the territories included in the limits and boundaries proposed by the Sharif of Mecca."¹

Since the " boundaries proposed by the Sharif " had mentioned the Mediterranean as the western limit, and since Damascus (which is in Syria) was the southernmost point mentioned in the first paragraph, the Arabs rather understandably took it that Palestine was included in the independence area. The point was made by Hussein's son, the Emir Feisul, to the British authorities in 1921, and though he personally withdrew it in face of their explanations,² the Palestinian Arabs do not accept this view and have since always brought the original argument forward in their petitions and complaints.³

The British Government contended that their intention had from the first been to exclude Palestine from Sir Henry McMahon's pledge ; this was stated by Mr. Winston Churchill, Secretary of State for the Colonies, in a memorandum on the Palestine Mandate dated June 3, 1922,⁴ and in a letter also written in 1922 Sir Henry McMahon placed on record the fact that he had intended to exclude Palestine.⁵

It should be noted that in 1915, when Sir Henry was in correspondence with the Sharif, there was as yet no question of a promise to the Jewish people. Nevertheless the Allies were alive to the importance of the Holy Places—the question is raised in many of the secret treaties between them—and it is regrettable that the British negotiators did not from the start make the point clear to the Arabs.

*The Secret
Treaties*

The two first of these secret agreements—in March 1915, between Britain, France and Russia, and in April 1915, between

(1) Text as quoted by Graves, *Land of the Three Faiths*, p. 51.

(2) For an account of the interview, see *Hansard*, July 11, 1922, col. 1033.

(3) Notably in 1922 and 1930. See Appendix II, p. 111, and *Statement by the Palestine Arab Delegation*, London, May, 1930.

(4) *British White Paper*, Cmd. 1700. For text see Appendix II.

(5) Graves, *Land of the Three Faiths*, p. 53.

the three Allies and Italy¹—did not specifically mention Palestine ; they merely referred to future definition of the “ rights ” or “ spheres of influence ” to be allocated during any subsequent negotiations over the Asiatic territories of the Ottoman Empire.

The task of definition was delicate. The British Government had to inform its French allies of its undertakings to the Sharif, and to obtain their support for its action. “ At this time the clash of interests between France and the Arabs and, therefore, between France and Britain, threatened to become acute ”;² hence the secret negotiations towards the end of 1915 between Sir Mark Sykes and M. Georges Picot which culminated in the agreement of May 1916 which is usually known by their names.

The Sykes-Picot agreement provided for the division of the land bridge between the Mediterranean and the Persian Gulf into five distinct regions. Part of the area was to be under British control, part under French, part to be a British sphere of influence, part a French sphere of influence.³ Palestine was to fall into neither of these categories ; the agreement stated that

“ With a view to securing the religious interests of the Entente Powers, Palestine, with the Holy Places, is separated from Turkish territory and subjected to a special régime to be determined by agreement between Russia, France and Great Britain.”

Secrecy was regarded as the essence of this agreement, which was communicated neither to the Sharif nor to the Italians. It did not become known to these until the Bolsheviki, in November 1917, published⁴ a secret memorandum dated March 6, 1917, and covering the negotiations which had taken place “ in London and Petrograd ” in the spring of the preceding year.

The Balfour Declaration

The claims of a world-wide movement such as Zionism meant that the Sykes-Picot ruling could not be regarded as the final word on the subject of the future of Palestine.

(1) The texts of all these treaties were found by the Bolsheviki in the secret archives of the Russian Foreign Office and published by them in the Russian press. The collected texts in English, in the form of translations from the Russian press, are to be found in F. S. Cocks's *The Secret Treaties and Understandings* (Union of Democratic Control, 1918). For later publication of official texts see *inter alia* A. Giannini, *Documenti per la Storia della Pace Orientale*, Rome, 1933 ; for the Secret Treaty of London of April 26, 1915, *British White Paper*, Cmd. 671, published in 1920.

(2) Temperley, *History of the Peace Conference*, Vol. III, p. 15.

(3) For an excellent map, see Bowman, *The New World*, p. 102. (1922 edition).

(4) In *Isvestia*, November 24, 1917 ; reprinted in the *Manchester Guardian*, January 19, 1918, and in Temperley, *History of the Peace Conference*, Vol. VI, p. 16. The contents of the agreement were revealed to the Sharif by the Turks ; Italy, who was apparently acquainted with its terms by the beginning of 1917, was compensated by the St. Jean de Maurienne agreement of April 17, 1917, which later proved abortive.

Attempts to provide a home for the Jewish people had already been made by the British Government ; in 1903—when it was seemingly impossible to obtain from the Sultan of Turkey a concession which would enable the Jews to return to the Promised Land—it had offered them territory in Uganda. But Palestine—the historic Jewish Land—was the only place which could fulfil Jewish desires, and the 1905 Zionist Congress rejected the offer.¹

The Zionist cause was not furthered by the Allies in the early years of the war for the obvious reason that Russia was one of their number, and Zionism was not viewed with favour by the Imperial Russian Government.

But in February 1917, the Russian revolution had begun. During that month Sir Mark Sykes entered into close relations with Dr. Chaim Weizmann, a leading Jewish intellectual, who was Reader in Chemistry at Manchester University, but had been seconded to the Admiralty for special purposes.² As early as 1906 Dr. Weizmann had interested Mr. Balfour in the possibility of a Jewish national home in Palestine, and these two men were the leading figures in the negotiations between the Zionist Organisation and the British Government which were carried on throughout the summer of 1917. These, which had the full approval of the United States Government,³ culminated on November 2, 1917 in the so-called Balfour Declaration, which was in point of fact a letter written by Mr. Balfour to Lord Rothschild which contained the following statement :

“ His Majesty's Government view with favour the establishment in Palestine of a National Home for the Jewish People, and will use their best endeavours to facilitate the achievement of this object, it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish Communities in Palestine or the rights and political status enjoyed by the Jews in any other country.”

The French Government expressed its approval of the scheme on February 14, 1918⁴ ; the Italian Government also approved it, and the sentiment which prompted it received the warm support of public opinion in the United States.

The suggestion is often heard that the declaration was made to induce the rich American Jews to use their influence to make the United States Government enter the war. Dr. Weizmann denies this, ascribing the promise to “ recognition of the yearning of an old race ” and to motives of redress for the position of Jews

(1) See Melchett, *Thy Neighbour*, pp. 112-116.

(2) He had, while there, invented an important process yielding the acetone required for manufacturing cordite. See Melchett, *Thy Neighbour*, pp. 120-122.

(3) See Stein, *Zionism*, pp. 90-91.

(4) Hunter Miller, *Diary at the Conference of Paris*, Vol. V, p. 20.

in the world. He also disclaims the suggestion that the British made the offer for imperialist reasons, pointing out that "when the British Government agreed to issue the famous Balfour Declaration, it agreed on one condition: that Palestine should not be the charge of Great Britain."¹

Undoubtedly altruistic motives, stimulated by deep feelings on the subject of the Holy Land, contributed to the British Government's decision, for they inspired the enthusiasm and energy of men like Lord Balfour.² But at a time when victory at all costs was a paramount consideration it is hardly likely that the War Cabinet would have taken the decision from wholly disinterested motives. "It was important for us to seek every legitimate help we could get. We came to the conclusion from information we received from every part of the world³ that it was vital we should have the sympathies of the Jewish community."⁴

The value of the Declaration as a war measure is obvious if one studies the concern it caused among the enemy Powers, Germany and Turkey, the former being affected not only because of the large Jewish population within the Reich but also because of the high percentage of Jews in the parts of Eastern Europe—Ukraine, Poland and Rumania—occupied by German troops.

Rival offers were therefore contemplated. On December 31, 1917, Talaat Pasha told a correspondent of the *Vossische Zeitung* that he was prepared to offer German Zionists some form of chartered company with local self-government of a limited character and rights of immigration into Palestine; the resultant negotiations in Berlin yielded a new combination of Jewish societies called *Vereinigung Jüdischer Organisationen Deutschlands zur Wahrung der Rechte des Ostens*, the German Government finally securing the concessions in Constantinople in July 1918. But by this time Palestine was in the hands of the Allies, and a Zionist commission which had begun work in March was, thanks to the tact of Dr. Weizmann, already on good terms with the Arab leaders.⁵

(1) "Palestine To-day," *International Affairs*, September-October, 1936, p. 673.

(2) For an account of the role he played, see Blanche E. C. Dugdale, *Arthur James Balfour*, Vol. II, Chapter XI; for his personal feelings on the subject, see in particular a speech quoted on p. 217.

(3) For proof that the Allies were exercised as to the attitude of the Jews of the United States, see the reports of the British Ambassador, *Letters and Friendships of Cecil Spring Rice*, Vol. II, pp. 420-422.

(4) Mr. Lloyd George in the House of Commons. *Hansard*, June 19, 1936, Col. 1343.

(5) The first meeting between Dr. Weizmann and the Emir Feisul took place at the latter's camp at Gueira, between Aquaba and Maan, at the beginning of June, 1918.

Meanwhile Arab hopes were raised by a joint Anglo-French declaration of November 7, 1918, which defined the war aims of the Allies in the East and promised "administrations deriving their authority from the initiative and free choice of the indigenous populations, in Syria and Mesopotamia."¹ This was felt among Arabs to supersede or at least to qualify the Sykes-Picot agreement.

It is often pointed out that this declaration omits Palestine ; to this the reply of the Palestinian Arabs is that they did not take it as such, the main reason which they give for their interpretation being that they did not use the name Palestine, and knew the whole region as Syria, and that the declaration was distributed throughout the whole of Greater Syria, (*i.e.* including what is now Palestine) and Mesopotamia.

*The
compatibility
of the
promises*

There seem to have been high hopes at the Peace Conference that the promises to Jews and Arabs could be implemented simultaneously. The Jews were fully prepared that "nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine."² The Arabs, represented by the Sharif's son, the Emir Feisul, and by Colonel T. E. Lawrence, were equally conciliatory.

"In Palestine the enormous majority of the people are Arabs. The Jews are very close to the Arabs in blood, and there is no conflict of character between the two races. In principles we are absolutely at one. Nevertheless, the Arabs cannot risk assuming the responsibility of holding level the scales in the clash of races and religions that have, in this one province, so often involved the world in difficulties. They would wish for the effective super-position of a great trustee, so long as a representative local administration commended itself by actively promoting the material prosperity of the country."³

According to Dr. Hunter Miller's notes, Feisul also stated, at the meeting of the Supreme Council to which he presented the Arab demands for fulfilment of the promises of the Allies, that "Palestine, for its universal character, should be left on one side for the mutual consideration of all parties interested. With this exception he asked for the independence of the Arabic areas enumerated in his memorandum."⁴

An incident of January 1919 illustrates the cordiality and optimism prevalent on all sides.⁵ Feisul, then in London with

(1) For text of main passages, see Temperley, *History of the Peace Conference*, Vol. VI, p. 141.

(2) "Statement of the Zionist Organisation regarding Palestine," Hunter Miller, *Diary at the Conference of Paris*, Vol. V, p. 15.

(3) "Memorandum by the Emir Feisul," Hunter Miller, *op. cit.* Vol. IV, p. 297.

(4) Hunter Miller, *op. cit.* Vol. XIV, p. 230.

(5) Described by Dr. Weizmann in *The Times*, June 10, 1936.

Lawrence, met Dr. Weizmann, of the Zionist Organisation. They had met several times in the previous six months, but this time committed to paper an agreement¹ promising "the most cordial goodwill and understanding." Both were convinced that this was possible, for Article IV read :

"All necessary measures shall be taken to encourage and stimulate immigration of Jews into Palestine on a large scale, and as quickly as possible to settle Jewish immigrants on the land through closer settlement and intensive cultivation of the soil. In taking such measures the Arab peasant and tenant farmers shall be protected in their rights, and shall be assisted in forwarding their economic development."

Looking back upon this incident, it seems unfortunate that neither party represented a body sovereign in Palestine. Feisul, as the son of the Sharif, doubtless felt entitled at the time to speak for the Arab peoples of Asia. But as their lands were subsequently divided he came, in spite of his and Lawrence's hopes, to represent Iraq only. It would seem from the wording of a reservation to the agreement that he and Lawrence foresaw this possibility ; it runs :

"If the Arabs are established as I have asked in my manifesto of January 4 addressed to the British Secretary of State for Foreign Affairs, I will carry out what is written in this agreement. If changes are made, I cannot be answerable for failing to carry out this agreement ;
(Signed) Feisul ibn Hussein."

As things turned out, Feisul could not be "answerable" ; his agreement with Dr. Weizmann therefore becomes a personal document of purely historic interest.

*The
allocation of
the Mandate*

Article 22 of the Covenant of the League of Nations established the mandates system, the guiding principle of which is that "the well-being and development" of the inhabitants of certain enemy colonies and territories shall be a "sacred trust for civilisation" under the tutelage of a mandatory on behalf of the League.

The reception of this arrangement by the Jews and Arabs is interesting. Feisul's willingness to accept "the effective superposition of a great trustee" was doubtless due to the influence of Lawrence, who held this view. Not all Arabs thought likewise, and President Wilson, realising this, attempted to fulfil the clause in the Covenant which lays down that "the wishes of these communities must be a principal consideration in the selection of the mandatory" by securing the appointment of an Allied commission to ascertain their wishes. When the British and French failed to fall in with his plan, he sent a private American commission—under H. C. King and C. R. Crane—

(1) The text was quoted at length in *The Times* of June 10, 1936.

which received petitions and interviewed delegations all over Palestine and Syria in June-July 1919.¹

The chief points in the report affecting Palestine were (i) "Strong sentiment favourable to complete independence for a united Syria (including Palestine) but if supervision was necessary, the United States was preferred, then Great Britain . . . (ii) Strong opposition to the Zionist proposal was also indicated."² But the King-Crane report was not published until 1922 and was in any case unofficial, so Feisul's was the last word for the Arabs.

The Zionist Organisation was more specific :

"We ask that Great Britain shall act as Mandatory of the League of Nations for Palestine. The selection of Great Britain as Mandatory is urged on the ground that this is the wish of the Jews of the world, and the League of Nations in selecting a Mandatory will follow, as far as possible, the popular wish of the people concerned."³

The allocation of the mandate was for several reasons a slow process. In the first place it hung upon Anglo-French agreement as to the validity of the Sykes-Picot arrangements for the whole of the ex-Turkish territories, and this was held up by discord over Syria and Mosul, involving discussions *très vives de ton*⁴ between Clémenceau and Mr. Lloyd George. As a result of the compromise Palestine, which had under the Sykes-Picot plan been destined for international administration, in the end passed by mutual consent into British tutelage. The next delay was caused by the United States, which through "participation in the victory" asserted its right to an equal voice in deciding the mandates over Turkish territory,⁵ but at the same time was not participating in the League meetings upon the subject. Finally, Italy objected to the confirmation of the Palestine and Syrian Mandates until title was cleared through ratification of the peace treaty with Turkey.

These obstacles account for the late date of the completion of the Palestine negotiations. The Supreme Council, sitting at San Remo, allocated the Mandate to Great Britain on April 25, 1920, adding a rider to the effect that the Mandatory Power should be responsible for giving effect to the Balfour Declaration.

(1) For details see Stannard Baker, *Woodrow Wilson and World Settlement*, Vol. II, pp. 205-222, and also "the important minutes of March 29, 1919, in which the whole noisome business of the partition of Turkey was poured out in a secret session of the Heads of States;" Vol. III, pp. 1-19.

(2) Quincy Wright, *Mandates under the League of Nations*, p. 45.

(3) Hunter Miller, *op. cit.* Vol. V, p. 21.

(4) The description is Monsieur Tardieu's; see *L'Illustration*, June 19, 1920.

(5) Note from Secretary Hughes to the Allied Powers, August, 1921, quoted in Quincy Wright, *Mandates under the League of Nations*, p. 54. This book deals fully (pp. 48-56) with the whole incident of American delay.

The terms of the Mandate were the next problem ; the long discussion involved included a bitter controversy as to the composition and functions of the International Commission to which it was proposed to refer certain questions relating to the Holy Places, and the draft suggested called forth criticisms from the Papacy and from various Moslem organisations for being too pro-Jewish, from Jewish organisations as imposing too rigid a limit on Jewish privileges, and from the British House of Lords as being contrary to the wishes of the inhabitants of Palestine.

The final draft was tentatively confirmed by the League Council on July 22, 1922. But it was felt undesirable to promulgate it in advance of the French Mandate for Syria, and since this was held up pending the composing of certain Franco-Italian differences, the final entry into force of the two Mandates did not take place until September 29, 1923.

*The
provisions of
the Mandate*

The terms of the Mandate¹ endeavoured to fulfil the promises made :

Article 2.—The Mandatory shall be responsible for placing the country under such political, administrative and economic conditions as will secure the establishment of the Jewish national home, as laid down in the preamble, and the development of self-governing institutions, and also for safeguarding the civil and religious rights of all the inhabitants of Palestine, irrespective of race and religion.

The Balfour Declaration to the Jews was further implemented by the promise of a recognised Jewish Agency to advise the Administration on the establishment of the national home, and by undertakings to facilitate immigration and encourage close settlement of Jews on the land, subject to the rights and position of other sections of the population. The Mandatory also promised the encouragement of local autonomy and undertook all responsibility with respect to rights and access to the Holy Places.

The only complication arising out of the wartime promises and the Mandate seemed to be the fact that the Mandatory differed from the Palestinian Arabs as to the meaning of the McMahon undertaking, and that many Arabs therefore denied the validity of the Mandate. Apart from this, there appears to have been every hope that the Mandatory would implement its triple promise under the Mandate : namely, to safeguard Arab rights, to provide a national home for the Jews, and to secure for the joint community self-government

(1) For the full text of the Palestine Mandate, see Appendix I.

NOTE ON TRANSJORDAN

Under the terms of Article 25 of the Mandate,¹ Transjordan was included in the Mandated Territory of Palestine, but by virtue of a saving clause in the article the Mandatory was empowered to withhold application of any clauses of the Mandate which he might consider to be inapplicable to Transjordan, and to provide it with such administration as he might think fit.

In the British view, Transjordan did (whereas Palestine did not) fall within the area in which the McMahon promise of independence applied, and in September 1922 the British Government therefore secured the League Council's approval of a memorandum² proposing that Transjordan should be exempted from all those clauses dealing with the Holy Places and the Jewish national home. On the strength of this, Jews have been refused the right to acquire land in Transjordan, a step which they resent as being an infraction of the article of the joint Mandate which provides against discrimination on grounds of race, religion or language.³

Transjordan is therefore somewhat detached from the problems with which this memorandum deals, and apart from the brief outline of its subsequent history given below, is not further dealt with.

There had been no British occupation of Transjordan after the Armistice, and no supervision except in so far as local chiefs were loosely guided by a handful of British political officers. The first step towards fulfilment of the independence promise was taken in February 1921, when the British authorities in Jerusalem negotiated an agreement under which the Emir Abdullah—son of the Sharif and elder brother to the Emir Feisul—was recognised as "administrator" under the Mandate. This arrangement was confirmed by a Conference which met in Cairo under Mr. Winston Churchill, and, in 1922, by the British Cabinet. It was followed in 1923 by the recognition of an "independent Government" under British tutelage, as in Iraq.⁴ In 1928 the British Government signed with the Emir Abdullah a treaty⁵ laying down the principle of indirect administration:

Article 2.—"The powers of legislation and of administration entrusted to His Britannic Majesty as Mandatory for Palestine shall be exercised in that part of the area under Mandate known as Trans-Jordan by His Highness the Emir through such constitutional government as is defined

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- (1) See Appendix I.
 - (2) See *British White Paper*, Cmd. 1785.
 - (3) See Weizmann, "The Palestine White Paper," *Week End Review*, November 1, 1930. Article 15 is the article in question.
 - (4) See Toynbee, *Survey of International Affairs*, 1925, Vol. I, p. 362.
 - (5) *British White Paper*, Cmd. 3069.

and determined in the Organic Law of Trans-Jordan and any amendment thereof made, with the approval of His Britannic Majesty."

In matters such as foreign relations, financial and fiscal policy, jurisdiction over foreigners and freedom of conscience, the Emir agreed to be guided by British advice. This advice is exercised through the representative of the Mandatory in Transjordan—the British Resident appointed under Article 1 of the 1928 Treaty, who acts under the direction of the High Commissioner for Transjordan (who is also High Commissioner for Palestine.¹) The 1928 Treaty was, in June 1934, supplemented by an agreement² which enabled the Emir to appoint consular representatives in neighbouring Arab States.

(1) The Annual Reports of the Mandatory for Transjordan to the Council of the League of Nations are bound in with the reports for Palestine, in which they form a separate section. For collected information, see Luke and Keith Roach, *Handbook of Palestine and Transjordan*, Third edition, 1934.

(2) *British White Paper*, Cmd. 4999.

III. THE CONTRASTING COMMUNITIES

A pitfall to be avoided when weighing up the issues in Palestine is the assumption that each community is an unmixed entity. Actually the social, political or economic differences within both sections of the population often account for the development of events ; so, sometimes, do their religious or political connections with communities outside Palestine. It is therefore worth while to describe the two communities before embarking on the history of Palestine under the Mandate, in spite of the drawback that to do so breaks the sequence of the chronological story.

I. POLITICAL CONTRASTS.

(a) THE ORGANISATION OF THE JEWS.

The bulk of the Jews in Palestine belong to or are in agreement with the Zionist Organisation—the world-wide body whose membership is open to all who advocate the creation of a Jewish Home in Palestine secured by public law.

*General and
Orthodox
Zionists*

An influential group in Palestine is that formed by the General and Orthodox (*Mizrachi*) Zionist Parties, which account for perhaps 40 per cent. of the community and which consist mainly of middle-class settlers, of intellectuals and of the professional classes. Of the Jewish parties, they are two of the readiest to co-operate with the British Government, but towards the Arabs their policy is as a whole uncompromising.

*The Labour
Party*

At present the largest group supporting the Zionist Organisation is the Labour Party—colloquially known as the Poalim—which now comprises at least 50 per cent. of the total Jewish population¹. Its activities are in great part directed by the *Histadruth*, or Jewish Federation of Labour, whose membership of 54,429 in 1934 comprised at least 80 per cent. of the Jewish workers of Palestine, and included farmers and members of the professional classes as well as labourers and industrial workers. The *Histadruth* is far more than a trade union ; besides managing co-operative societies and organising labour banks and credit unions it also acts as a colonising agency, and helps to train young settlers ; it also at times acts as a contracting undertaking.

As originally conceived, the *Histadruth's* policy departed on two points from that of the General Zionists. In the first place, its aim was a civilised labour policy, that is, the combination of social reform with any settlement scheme :

(1) The party is growing in influence not only in Palestine but throughout the world. At the Eighteenth Zionist Congress in 1933 Labour had for the first time more delegates than any other party.

" The *Histadruth* considers it its duty to create a new type of Jewish worker and to see to it that, while colonisation is developing, the Jewish worker, who came into being as a result of this very colonisation process, shall be assured the place which is his due."¹

In the second place, it stood for a policy of comparative moderation towards the Arabs ; its leaders at one time tried to organise trade unions among them, partly in the hope of raising the Arab standard of living and thereby removing the threat to Jewish labour.² But events in 1935-6 show that this second characteristic has disappeared. Indeed, in contrast to it, the Labour Leader, Mr. Ben Gurion, in 1934 entered into negotiations with the extreme Right Wing (the Revisionists whose policy is described below) and reached a provisional accord. In March 1935 the *Histadruth*—in a referendum—turned down the project, but " nevertheless, differences between the Revisionists and the *Histadruth* have been much less marked during 1935."³

*The
Revisionists*

Apart from the Zionists there are only two groups of any importance. The first are the Right Wing Revisionists under the leadership of Vladimir Jabotinsky, who have since 1935 withdrawn from the Zionist Organisation. The size and influence of this party has tended to vary in inverse proportion to the rate of immigration ; at present they claim to constitute about 17 per cent. of the Jews in Palestine. They also hold (and probably with truth, in view of the rapprochement with Labour described above) that their ideas are shared by many who are not in their organisation. The Revisionists fiercely and constantly attack any policy of moderation ; they hold that the promise embodied in the Balfour Declaration is one of a Jewish state, and aim at setting this up as speedily as possible in both Palestine and Transjordan. Their proclaimed objective is the production of a Jewish majority in Palestine and they therefore look upon immigration as transcending all other issues ; only when the Jews are in a majority is Palestine to receive self-government, " so that under a democratic rule the Jewish point of view shall always prevail."⁴ The claims of the Revisionists have undoubtedly aggravated Arab fears.⁵

(1) Revusky, *The Jews in Palestine*, p. 237. The quotation is from the programme adopted at the first *Histadruth* Convention in November, 1920.

(2) Revusky, *op cit.* pp. 239-40.

(3) *Report of the Mandatory Power for 1935*, p. 18.

(4) Statement by Mr. Jabotinsky, quoted in Toynbee, *Survey of International Affairs, 1930*, p. 265.

(5) This is hardly to be wondered at when one reads the extravagances of Revisionist extremists, which the Zionist Organisation is the first to deplore ; for instance, the Arab paper *Palestine and Transjordan* recently quoted the following statement as coming from a Revisionist leader : " Our Zionist imperialism will flourish under the protection and support of any Power on condition that that Power will show no mercy to the Arab population and uses an iron fist under which the Arabs shall not be allowed to move." This instance is quoted by Sir Ernest Bennett in the *Nineteenth Century*, September, 1936, p. 335.

The second group outside the Zionist Organisation is the *Agudath Israel*, comprising the strictly religious and wholly non-political Jews opposed to Zionism. These now represent at the most 5 per cent. of the total Jewish population and are in part the remnants or offspring of the 55,000 Jewish inhabitants of Palestine at the time of the Armistice, many of whom were non-Zionist. They have so far remained outside the jurisdiction of the General Council of the Jews of Palestine,¹ and at their own request do not form part of the community as recognised under the Ordinance of 1927. Indeed, they have at times felt so strongly about Zionism that they have appealed unsuccessfully to the Mandatory and to the League for official recognition as a separate community.² Their appeal failed, and their relations with the newcomers for years remained very bitter. But there seem to be some signs that this separation is breaking down; negotiations for the inclusion of the *Agudath Israel* within the recognised Jewish community took place in 1934-5 and the Administration has since reported that "the differences between the two bodies have been notably less acute . . . Political and economic unity may without much difficulty be achieved between them."³

Since at least 80 per cent., if not more, of the Palestinian Jews endorse the policy of the Zionist Organisation, no description of the Jewish community there is complete without some indication of the views held by this important world-wide body.⁴

The ideal of a return to the Promised Land has long been cherished by Jews:

"The Jews have always hoped—it was an article of faith for religious and even for non-religious Jews—that a day might come when they would be allowed to return to the land of their ancestors. They have never given up this claim. They prayed for it. They fasted for it. And events have proved that it was not merely a romantic attachment on the part of a dispossessed people to a country of which they were deprived two thousand years ago."⁵

But the Zionist Organisation proper was not founded until 1897, when the founder, Herzl, was stimulated to the idea of an organised movement for a Jewish home by the anti-Jewish out-breaks which occurred at the time of the Dreyfus case. His

(1) See below, p. 27.

(2) Petition from the Council of the Ashkenazic Jewish Community of Jerusalem, Permanent Mandates Commission, *Minutes of the 7th Session*, pp. 181-3.

(3) *Report of the Mandatory Power for 1935*, p. 18.

(4) For a short account of the movement and its relation to the Palestine situation; see Israel Cohen, *The Progress of Zionism*, Third edition, 1936. For a popular history, see Leonard Stein, *Zionism*, 1932. See also Lord Melchett, *Thy Neighbour*, 1936.

(5) Weizmann, "Palestine To-day" *International Affairs*, September-October, 1936, p. 671.

conception found its strongest support where persecution was severest, that is to say in Eastern Europe,¹ but the more moderate practical Zionism prevalent elsewhere has always dominated the movement.

At the time of the allocation of the Mandate in 1922, the General Zionist Party—a moderate centre group under Dr. Chaim Weizmann—was in control, claiming no less than 306 out of a total of 445 delegates at the Twelfth Zionist Congress of 1921.

But since that date the moderates have not always held the field. Briefly, the history of support for Dr. Weizmann is as follows: from 1921 onwards he lost some supporters to both Right and Left, but his personal prestige continued to stand high for he was known to command the confidence of the middle class Jews, on whose generosity the colonisation of Palestine depended. But he lost authority in 1930 when the publication of a British White Paper² on policy in Palestine convinced many Jews that moderation did not pay, and that the Revisionists had been right after all. The disappointment of the Jewish people as a whole was reflected in Dr. Weizmann's temporary eclipse, his place as head of the Organisation being taken by his friend Dr. Sokolov.

The failure of the Revisionists, both in and outside Palestine, to retain the support they had won as a result of the 1930 White Paper can be accounted for in part by the prosperous and comparatively peaceful condition of Palestine between 1930 and 1935, and in part by the growth of the Zionist Labour movement during that period. The Revisionist movement also undoubtedly lost sympathy when, in 1933, Dr. Arlosoroff, a Labour member of the Zionist Executive, was murdered at Tel-Aviv. Although the three Revisionists who were put on trial were all acquitted, many Jews continued to believe that it was the Revisionists who were responsible for the murder. Relations between the Revisionists and the other Zionist parties became more strained during 1934, and finally in 1935 the former withdrew from the Zionist Organisation altogether. Their recent rapprochement with Labour has already been described.

At the nineteenth Zionist Congress in September 1935, Dr. Weizmann was reinstated as President of the World Organisation.

Under Article IV of the Mandate "an appropriate Jewish Agency" was to advise and co-operate with the Administration on the establishment of the National Home, and from 1922 until

*The Jewish
Agency for
Palestine*

(1) For the effect of this upon immigration into Palestine, see below pp. 65-67.
(2) See below, pp. 54-6.

1929 the Zionist Organisation acted as such. But the same Article IV also provided that steps should be taken to secure the co-operation of *all* Jews who were willing to assist in the establishment of the National Home, and Zionism did not represent the whole of Jewry—particularly not the Jews of Western Europe and America who, being assimilated to the countries of their adoption, were mainly non-Zionist.

Negotiations towards the creation of an enlarged Jewish Agency proceeded from 1924 onwards,¹ and in 1927 the President of the Zionist Organisation visited the United States, where he reached agreement with the head of the non-Zionist American Jews. After consultation with the Mandatory Power, the two branches of Jewry set up a Joint Palestine Survey Commission to report on the conditions in Palestine, and to draw up a programme of development. Finally, in 1929, after the report of the Commission had been examined, the new Agency came formally into being. It consists of a Council on which Zionists and non-Zionists are equally represented, and of a standing executive in Palestine. The President of the Zionist Organisation is *ex officio* President of the Jewish Agency.²

Although it was satisfactory both to the Mandatory and to the Jewish people that there should now be a Jewish Agency which represented the whole of Jewry excepting a few extremist groups, this did not mean that there was any great practical change. Non-Zionist Jews had contributed large sums to the development of Palestine long before 1929. Indeed, it is estimated that from 1921 to 1932, 50 per cent. of the receipts of the Palestine Foundation Fund were contributed by American Jews. Nor has the presence of the non-Zionists on the Council appeared to exercise much influence on the policy of the Agency. This has been mainly determined, as it was before 1929, by the various parties of the Zionist Organisation.

*The Work of
the Agency*

The powers of the Jewish Agency are considerable. Not only does it carry on all negotiations with the Palestine Government on matters which concern the Jewish community; it also controls to a very large degree the work of colonisation and settlement. Its officials estimate the demand for labour which forms the basis of the Government's labour immigration schedules. It trains and selects the immigrants admitted under the schedule; it governs the policy of the two most important Jewish colonisation funds, the Jewish National Fund for buying land, and the

(1) See Toynbee, *Survey of International Affairs, 1926*, Vol. I, p. 385.

(2) For full details see Toynbee, *Survey of International Affairs, 1930*, pp. 245-251.

Palestine Foundation Fund (*Keren Hayesod*) for the establishment of settlers.¹ The Jewish Agency and its branch organisations have founded schools, hospitals and agricultural and medical research stations, and in this way have maintained a far higher standard of living for the Jewish community in Palestine than would otherwise have been possible. This policy has been criticised by the Revisionists, who consider that it is the Government who should provide these services, and that the whole funds of the Jewish Agency should be devoted to immigration and colonisation. The falling off of subscriptions to the *Keren Hayesod* in the slump years, and the consequent embarrassment of the Jewish Agency in carrying out the work it had begun, lent point to the Revisionist argument, but since 1934 these subscriptions have revived and have consistently proved greater than was estimated.

Some of the social services established by the Jewish Agency are now run by the Palestinian Jews themselves; for example, the education service which was transferred from the control of the Jewish Agency in 1933. The Jewish community in Palestine has its own assembly of representatives elected on a wide franchise and which appoints yearly the Jewish General Council (*Vaad Leumi*). In 1927 these organisations were officially recognised² and the Jewish community was granted a certain measure of self-government, including the right to levy taxes for education and other communal purposes through the *Vaad Leumi*.

(b) THE ORGANISATION OF THE ARABS.

As opposed to the orderly picture afforded by the Jewish political organisation, the Arab community presents a shifting scene. It has for various reasons always been far less developed intellectually and therefore politically. A great change has taken place in the last two years, and is still in process, but clear cut political divisions and doctrines have yet to be evolved.

But though the radical change is only now taking place, the impact of Western civilisation—which began long before the war, but was increasingly felt under the Mandatory régime—from the start influenced Arab political and religious life, for it awoke the social force “ which convulsed and devastated the Ottoman Empire in its latter days . . . — the Western conception and

*The Rise of
Nationalism*

(1) The total amount spent in Palestine out of these two funds between 1917 and June 1936 was £9,409,000, of which £6,214,000 came from the *Keren Hayesod*. The total expenditure of funds from Jewish sources by the principal Zionist institutions over the same period, was £14,037,000; this figure does not, however, represent total Jewish expenditure in Palestine, since it is exclusive of certain non-Zionist funds, notably the P.I.C.A.

(2) Jewish Community Regulations, 1927.

consciousness of nationality."¹ The importance of this profound and widespread movement in the countries of the Near East—not only in the Mandated Territories but in Egypt and the autonomous States of the Arabian peninsula—has been described by Hans Kohn in his *Nationalism and Imperialism in the Hither East*.

Effect upon
Religion

In Palestine, as elsewhere, the rise of the spirit of nationalism vitally affected the status of religion. Religious feeling was not necessarily weakened, but it was altered and no longer remained supreme. The deep division between Christian and Moslem Arabs which existed under Turkish rule in Palestine disappeared, and Christian and Moslem began to work together, sharing the same aims of independence and unity. "To-day the Mohammedan is primarily a member of his nation or a citizen of his State, and only afterwards a Mohammedan."² Religion, however, has at times been a useful rallying cry.

Upon
Politics

But in spite of this trend, the Arab leaders in Palestine did not succeed, or had not until recently succeeded, in creating such a solid nationalist movement as has existed in Egypt. Although religious barriers had broken down, the old feuds between the leading families of the Arab aristocracy still persisted; they were often waged so bitterly as to transcend all other political issues. For instance, during the period when representatives of the two leading families—the Husseini and the Nashashibi—were Mufti and Mayor of Jerusalem respectively, family considerations often took precedence of national interests.

This dominance does not mean that the rank and file take no interest in politics; on the contrary:

"No less than fourteen Arabic newspapers are published in Palestine, and in almost every village there is someone who reads from the papers to gatherings of those villagers who are illiterate. The Arab fellahin and villagers are therefore probably more politically-minded than many of the people in Europe."³

It is therefore perhaps surprising that the national movement in Palestine was not translated at all quickly into a political party form.

"It was only at times of the most violent disturbance, when the nationalist movements concentrated in armed revolts, that a powerful united front was created and the agitation penetrated far into the masses, and long continued to operate. But the lack of strong organisation

(1) Toynbee, *Survey of International Affairs*, 1930, p. 252.

(2) Kohn, *Nationalism and Imperialism in the Hither East*, p. 24; c.f. the analogous movement in Turkey which culminated in the Bill of April 9, 1928, which brought about the final disestablishment of Islam as the State religion.

(3) Report of the Commission on the Palestine Disturbances of August, 1929. *British White Paper*, Cmd. 3530, p. 129.

and persistent efforts in the pursuit of an aim—weaknesses still characteristic of the country's Oriental mediaeval phase of development and only slowly to be overcome—made themselves felt again and again.”¹

*The Arab
Parties*

This was written of the riots of 1929 ; it is less true of the 1936 disturbances. For already in 1935 one of the pointers to growing Arab uneasiness was the tendency of the Arab political organisations to crystallise into regularly constituted parties. The consolidation of six of these was reported to the Permanent Mandates Commission by the Mandatory Power.² By the autumn of 1935 these had in a quite unprecedented way sunk their differences in the interests of nationalism, and five of them³ had approached the High Commissioner with certain national demands.

This crystallisation continued under stress of the happenings of 1936, but as the scene is still changing it is difficult to describe the process.

At the end of April 1936 the party leaders combined to form an Arab Higher Committee which, throughout the disturbances, conducted negotiations on behalf of the whole population. The Arab Higher Committee would appear to have been in closer touch with the rank and file than any previous Arab body, contact being maintained by means of a new organisation in the form of local Arab national committees. These, which constituted cells of the national movement, attended to strike action and relief⁴ with a competence which convinced some observers that the handiwork of a new type of young and educated Arab was discernible. By September 1936 the organisation was sufficiently formed to allow of the calling of a Congress of Local Committees,⁵ but there is up to the time of writing so little constitutional regularity in these new developments that one

(1) Kohn, *Nationalism and Imperialism in the Hither East*, p.115.

(2) The names of the parties and their leaders given in the Mandatory Power's Report for 1935 (pp. 14-15) are :

(a) The Palestine Arab Party under the leadership of Jamal eff. Hussein.

(b) The National Defence Party under the leadership of Ragheb Bey Nashashibi (formerly Mayor of Jerusalem).

(c) The Reform Party, with no president ; of which one member of the Committee is Dr. Khalidi (Mayor of Jerusalem).

(d) The National Bloc under the leadership of Abdul Latif Bey Salah of Nablus.

(e) Congress Executive of Nationalist Youth, led by Yakub eff. Ghussein.

(f) The Istiqlal (Independence) Party under the leadership of Auni Bey Abdul Hadi.

(3) The exception is the Istiqlal, which is affiliated to the Pan-Arab Istiqlal (Independence) movement ; it had for some time been inactive and disorganised, but towards the end of 1935 the High Commissioner reported that it became more active, associating with independent extremists in its denunciations of the Administration. For details of the demands of the five parties, see below p. 80.

(4) For a description of their work, see *Daily Telegraph*, September 21, 1936.

(5) For details, see below, pp. 82 and 86-87.

can do no more than point out that they are in process of formation. But if they mean that a young and educated generation is beginning to make its influence felt with the older leaders, the movement is one which may have far-reaching results.

In the light of these new and obviously important happenings the earlier political organisation of the Arabs becomes largely of historic interest.

*Organisation
of the
Community*

The Arab community has never been organised on a basis comparable to that of the Jews. The Mandatory Power is often blamed for this¹, in the Mandates Commission and elsewhere, but it is not altogether for lack of effort on its part that there is no Arab Agency to match the Jewish Agency². The Arabs do not enjoy any equivalent of the Jewish General Council (*Vaad Leumi*).

The body which was until 1936 at the head of the nationalist movement in Palestine, and which has usually handled the Arab case against the Government, was the Arab Executive elected by the Palestine Arab Congress. The first Congress was held in 1920 as a result of the growth of the joint Moslem-Christian associations led by leaders of the Husseini family. Until 1925 the Arab Executive, which denied the validity of the Mandate, pursued a policy of non-co-operation with the Government, but since then the aim has changed. The 7th Arab Congress held in Jerusalem in 1925, at which all the chief Arab political parties were represented, issued a memorandum demanding the establishment of a democratic parliamentary system of government, and they have held to this demand ever since, adding to it, as circumstances came to require, their claim for the cessation of Jewish immigration.

*Religious
Organisation*

The religious organisation of the Arabs also needs a word of mention. Of the 100,000 Christian Arabs the majority are members of the Greek Orthodox Church under the leadership of the Orthodox Patriarch; their only organisation is in their own religious communities. The affairs of the Moslem Community, which numbers 740,000, are governed by the Supreme Moslem Council, which is the outcome of regulations drawn up by an Arab Assembly in 1921 and approved by the High Commissioner. The Council consists of a President, and of four members elected for four years, two of whom represent Jerusalem, the other two Nablus and Acre. But when the term of office of the original members expired in 1925, the results of the fresh

(1) See, e.g. *Minutes of the 29th Session*, pp. 148-9.

(2) See below, p. 42.

elections were annulled by the Government on account of irregularities, and since then there has been a provisional council nominated by the High Commissioner. The fact that the Council is nominated, not elected, and is therefore not composed of "men enjoying the confidence of their own community," has more than once been criticised by the Permanent Mandates Commission,¹ but this does not alter the fact that the Council wields considerable power and influence. This is to some extent due to the permanency of tenure enjoyed by its President, who has since its inception been Haj Amin El-Husseini—the dominant figure who is Mufti of Jerusalem. But the chief power of the Council lies in its control, subject to Government approval, of the Moslem Religious Courts which have sole jurisdiction in matters of personal status of Moslems, and in the valuable patronage which it derives from its powers of administration and control over the Moslem *waqfs* (private or public endowments); tithe from *waqf* lands "forms 55 per cent. of the revenue of the Moslem religious endowments in Palestine, and the *waqf* tithe is approximately 12.75 per cent. of the total tithe revenue of the country. The revenue department collects the *waqf* share of the dedicated tithes, handing over the proceeds, now commuted for £23,000 per annum, to the Supreme Moslem Council."²

2. CONTRASTS IN THE SOCIAL AND ECONOMIC STRUCTURE.

(a) THE ARAB COMMUNITY.

Though the impact of the West is now profoundly influencing the Arab political scene, it has so far little affected the social structure of the Arab community; the economic structure it has only affected in parts.

The life led by the community is not unlike that of medieval Europe; it is a feudal organisation consisting of a small number of landowning families and a backward peasantry, partly nomadic (*bedawi*) and partly settled (*hadari*) and chiefly engaged in agriculture. This situation is in the main a legacy of Turkish rule,³ under which the Arab aristocracy, principally on the strength of their long-established local position, were taken into the governing class (the so-called *effendi* class) of the Ottoman Empire.

To-day the Palestinian Arab community is still predominantly agricultural, about 64 per cent. of the total Moslem population

Nature of
Population

(1) See *Minutes of the 29th Session*, p. 148.

(2) Luke and Keith-Roach: *Handbook of Palestine and Transjordan*, Third edition, p. 44.

(3) The Turks won Palestine from the Mamluk dynasty of Egypt in 1516-17. The Arab invasion had taken place in the seventh century.

being dependent on agriculture.¹ The nomadic element survives but is probably dwindling. The Beduin were estimated at 103,331 in the 1922 census, and though this is thought to have been an over-estimate, the number recorded had fallen to 66,553 in 1931.

The backwardness of the agricultural population can be put down to a number of factors, among them the barrenness of much of the country², and the heavy indebtedness of the peasants,³ but up till now one of the fundamental obstacles to agricultural development has been the Arab system of land tenure⁴ and the prevalence of the system known as *Mesha'a*.

Bars to
Development
(1) Land
Tenure

Under *Mesha'a*, which is the Arab equivalent of the Open Field System in feudal England, the whole of the village property is held in common. Each cultivator has a right to a fraction of the whole, but has no separate parcel of land allotted to him permanently. Within each tribal division of the village, the shares are as a rule re-allotted every two years. This is the great evil of the system; for no cultivator is likely to improve land simply for the benefit of his successor. But this situation is improving; in recent years considerable progress has been made with the partitioning of *Mesha'a* land.⁵

(2) Insecurity
of Tenure

Another serious bar to development is insecurity of tenure. Here the lack of detailed statistics (which has been strikingly evident in many departments of Palestinian life until quite recently)⁶ makes it hard to be precise, for the relative proportions of land held by owner-occupiers and by tenants are not known. But it is clear that "very large areas are held by resident and non-resident landlords."⁷ As a rule the Arab holds his land on a yearly tenancy, terminable by the landlord at will. The danger of this situation in view of the large Jewish demand for

(1) 1931 census figure; the (approximate) 90,000 Christian Arabs are predominantly engaged in industry and commerce. See 1931 Census Report, Vol. I, Diagram 44. For further statistics regarding the predominance of agriculture, see below, p. 50.

(2) See below, pp. 51-2.

(3) See below, p. 75.

(4) This view was held by both the experts who have reported on land development, Sir John Hope Simpson in 1930 and Mr. Lewis French in 1931. For the circumstances in which these reports were issued, see below, Chapter V.

(5) It was estimated by Mr. French (*French Report*, p. 12) that the proportion of *Mesha'a* villages had fallen from 56 per cent. in 1923 to 46 per cent. in 1930 and to less than 40 per cent. in 1931. The system is being further broken up in the course of the present Government Land Settlement Survey, which has achieved the amicable partition of further villages; the remainder will be partitioned as the Land Settlement Ordinance (1928-32) comes into operation.

The progress made with this is recorded each year in the *Report of the Mandatory Power*.

(6) A Department of Statistics was established in 1936.

(7) *Hope Simpson Report*, p. 34.

land was soon obvious; early attempts to remedy it¹ proved more or less abortive, but recent legislation has improved matters,² and a measure has lately been promised guaranteeing to all cultivators the inalienability of a minimum holding (*lot viable*).³

In respect of land tenure, therefore, it would seem that improvement, though it must be slow, is on the way. The next question is: How capable is the fellah of profiting by the change? Opinions differ as to his industry and intelligence. Sir John Hope Simpson, for instance, maintained that the Arab cultivator was endowed with both qualities and that "were he to be given the chance of learning better methods, and the capital, which is a necessary preliminary to their employment, he would rapidly improve his position;"⁴ others do not agree that a capacity for application is a characteristic of the whole of the Arab population.

But however this may be, two further drawbacks are bound to retard Arab development, the first a lack of capital, the second a shortage of educational facilities.

(3) *Lack of Capital*

The Arab community enjoys no land improvement funds with which to improve conditions; here it is at a great disadvantage as compared with the Jews, for without funds it cannot surmount another obstacle to development—the lack of irrigation. The Government has taken some steps to promote this, and in the case of the Huleh concession⁵ Arab cultivators have been allocated land irrigated with Jewish funds, but it would appear that the Arab community must for many generations be at a disadvantage *vis-à-vis* the Jews in this respect. Lacking capital, the Arab cultivator inevitably resorts to the money-lender and thereby aggravates his difficulties. Credit and thrift societies are the obvious remedy and a beginning has been made with these, though the Arab co-operatives, seventy-four in all, are as yet small in number and influence by comparison with the 688 societies in the powerful and self-reliant Jewish movement.

(4) *Lack of Educational Facilities*

The Arab is, and will be for some time to come, at an educational as well as a material disadvantage compared with the Jewish settler. Practically 100 per cent. of the Jewish children are educated, almost entirely with funds provided from Jewish

(1) The Transfer of Land Ordinance of 1920-21, and the Protection of Cultivators Ordinance of 1929.

(2) See below, p. 59.

(3) For the circumstances of this promise and its importance in view of the Arab demands, see below, p. 80.

(4) *Hope Simpson Report*, p. 66.

(5) See below, p. 79.

sources, whereas the Arabs are dependent on the Government schools, which in 1930 sufficed only for 13.2 per cent. of the Arab children, but had by 1935 come to accommodate 65,647 out of an estimated school-age population (non-Jews) of 237,634.¹

The Mandatory spends more on Arab than on Jewish education²; nevertheless, 40 per cent. of the Arab applicants for admission to the schools in 1935 were turned away for lack of room.³ This fact was strongly criticised by the Permanent Mandates Commission at its Twenty-Ninth Session,⁴ especially in view of the large surplus of revenue.⁵ Both sections of population are anxious to obtain greater education facilities, and the Arabs who cannot offer financial help have shown their eagerness to co-operate in many cases by building the school houses themselves; but progress is hampered by a shortage of funds due to "the claims of other Government services,"⁶ and by a lack of teachers.

*Economic
Changes*

The two chief changes in the economic structure of the Arab community have occurred: (i) among a slowly forming and still small middle class, consisting chiefly of better-to-do owner-cultivators in the plains, and of the commercial and professional element in the larger towns, and (ii) among the industrial population. But compared with the numbers engaged in agriculture the figures here are insignificant. According to the 1931 census, about 3 per cent. (25,000) of the total Moslem and Christian population gained a livelihood in industry (as compared with 19,000 Jews, although the Jews formed then only one quarter of the total population). The example of Western capitalism is only just beginning to work a change; but it is interesting to note the germs of a middle class and of a proletariat as yet almost unorganised, but whose numbers and influence will certainly increase in the years to come.

The effect of Jewish immigration upon the prosperity of the Arab population, both rural and urban, is surveyed in a subsequent chapter on immigration and economic development.⁷

(1) *Report of the Mandatory Power for 1935*, p. 134.

(2) *Ibid.*, p. 134. "The net expenditure of all departments was distributed as follows:

Arab education	...	£P168,193
Jewish education	...	£P 33,958."

(3) *Ibid.*, p. 137.

(4) *Minutes*, p. 162.

(5) The relevant figures for 1934-5 are: Total spent on education £P200,000 (representing an increase of £P22,000 on the previous year)

Total Government expenditure	...	...	£P3,230,000
Budget surplus	...	...	£P2,223,000

(6) Reply by the Accredited Representative to the Permanent Mandates Commission; *Minutes of the Twenty-Ninth Session*, p. 162.

(7) See below, Chapter VI.

(b) THE JEWISH COMMUNITY.

The post-war Jewish population has one or two characteristics unusual among immigrants. One is the remarkably high percentage of newcomers of independent means¹; this, together with the funds provided by the central Jewish organisations, places the Jewish settler at an advantage which has already been referred to, and which is bound to have psychological repercussions upon Arabs who are confronted with the irritating spectacle of improvements they themselves cannot afford. A second unusual characteristic is the predominance of a far higher intellectual standard than is common among settlers; the percentage of immigrants who have received a secondary education is striking. This fact, coupled with the enthusiasm stimulated by the ideal motive of a return to the soil of the Promised Land, explains the following quotation :

“ The great majority of early settlers were youthful idealists of both sexes, many of whom had abandoned their Universities or professions in Central or Eastern Europe to devote themselves to manual labour in Palestine. As time went on the *Hakutzim* (Pioneers) no longer played as predominant a part as they had done at the outset, but they still formed the backbone of the Jewish immigrant population and especially of the new agricultural settlements.”²

Though this high intellectual standard has not been maintained throughout, a new stimulus has been the influx of highly educated refugees coming from Germany since the inauguration of the Nazi régime.³ In Palestine itself the level tends to be maintained owing to the high level of education already referred to.

Besides material and intellectual advantages, the Jewish cultivator enjoys far greater security than does the Arab. He secures a long lease from his colonisation society, and in the case of the oldest organisation—the P.I.C.A.—is allowed to purchase his land.

The agencies responsible for Jewish colonisation in Palestine fall into four main classes :

1. The Palestine Jewish Colonisation Association (P.I.C.A.).
2. The Colonisation Department of the Zionist Organisation.
3. Commercial Land or Settlement Companies. e.g. Palestine Plantations, Limited.
4. Private societies. e.g. Benei, Benjamin.

(1) For statistics, see below, p. 67.

(2) Stein, "Development of the Jewish National Home," *Survey of International Affairs, 1925*, Vol. I, p. 374. Cf. also Report of Sir John Campbell, one of the experts employed by the Jewish Joint Survey Commission in 1927, quoted and endorsed by Mr. Snell in his reservation to the Shaw report, p. 179.

(3) For figures showing the increase in the number of refugees coming from Germany, see below, p. 67.

*P.I.C.A.
Colonies*

Of these, the P.I.C.A. is the most important, holding nearly half of the Jewish land in Palestine. It is the legacy of the work begun in 1882 under the guidance of Baron Edmond de Rothschild,¹ and it had by 1930 established thirty-four colonies, chiefly in the Maritime Plain, and Upper and Lower Galilee. The P.I.C.A. is not a political organisation, and the relations of the P.I.C.A. colonists with their Arab neighbours and workmen have always contrasted very favourably with those of the Zionist settlers.

*Zionist
Colonies*

The P.I.C.A. itself buys land and instals settlers. The Colonisation Department of the Zionist Organisation simply acts as a settlement agency, the land being purchased for the Jewish National Fund (*Keren Kayemeth*) by the Palestine Land Development Company. The Zionist colonies also differ fundamentally from the P.I.C.A. colonies in their relations with the Arabs. This is partly due to the "principle of self-labour." For whilst the P.I.C.A. colonies employ Arab as well as Jewish labour and have helped to develop Arab land, Zionist settlers are limited to the quantity of land which the individual or the group concerned can cultivate. Some of the Zionist settlements are *Kvutzoth* or communal farms. In these the land is held in common, and the adult population live in communal houses with a separate children's house run by nurses; the produce belongs to all the members collectively, and is shared out in kind. The other Zionist settlements are mostly made up of small holdings. It is argued by the Zionists that financial reasons make peasant settlements of this type essential, and that even the P.I.C.A. can no longer afford to settle the "planter" type of colonist.

However this may be, two other principles of Zionist colonisation, both incorporated in the constitution of the Jewish Agency, are deeply resented by the Arabs. These are: (i) the principle that Jewish property is inalienable; no Zionist settler may dispose of his lease to anyone but a Jew; (ii) the principle, carefully safeguarded by the powerful Jewish Federation of Labour, that only Jewish labour may be employed in Zionist colonies. The net result is that, when the Jewish National Fund makes a purchase, the Arabs lose not only the land, but also any chance of being employed on it.

Finally, there is a fundamental distinction between the Zionist and the P.I.C.A. colonies in the matter of financial independence.

"Of the agricultural settlements it may be said that none of the Zionist settlements are self-supporting in the sense that they would be able to maintain themselves without further assistance and pay back

(1) See above, p. 10.

to the *Keren-Hayesod* a reasonable amount towards satisfaction of their debts, and to the *Keren-Kayemeth* an economic rent. It is indeed admitted that no such consummation is anticipated. Many Zionist settlements would cease to exist if further support were not forthcoming. The P.I.C.A. colonies include in their number several old colonies which are radically established, and which will unquestionably flourish in the future. Even of the P.I.C.A. colonies, however, there are a number, including some of the older colonies, which still require support and in some cases reorganisation. I understand that this reorganisation is in progress."¹

In 1936 a few of the Zionist colonies for the first time made small repayments of loans.

*Jewish
Co-operatives*

Another factor which assists Jewish development and which contrasts strongly with the situation among the Arabs is the highly organised nature of the Jewish co-operative movement. There are 668 Jewish co-operative societies in Palestine,² connected with every branch of agriculture and industry. There are co-operative societies for banking, credit and insurance, producers' and consumers' societies, co-operatives for contracting, transport, marketing, irrigation and land purchasing. Among the most important are the *Tnuva* which markets Jewish agricultural produce and whose sales totalled £290,000³ in 1934, and the *Pardess*, the largest co-operative society of orange growers, which sells over a million cases annually. A great many of these co-operative societies are managed by the *Histadruth*, the Jewish Federation of Labour.

*Contrast in
Methods of
Cultivation*

It is evident that there are wide divergences in the methods of cultivation employed in Palestine. The Jewish colonisers all practise intensive farming, and an increasing number of Arabs are following suit. But the great majority of Arabs still cultivate their land extensively. Obviously the more intensively the land is farmed, the larger the agricultural population which it can maintain, although ultimately the agricultural capacity of the country must depend on the amount of cultivable land available.

3. SOME FUNDAMENTAL DIFFICULTIES.

Even these brief facts about the two communities are enough to show how difficult is the Mandatory's task—how hard it is to deal with two such different entities simultaneously or to explain policy to them in the same terms. Nor can the situation be remedied at any speed on account of the material and educational divergences which must persist for some time to come.

(1) *Hope Simpson Report*, pp. 48-49.

(2) *Report of the Mandatory Power for 1935*, p. 271.

(3) *Jewish Agency Report for 1934*, p. 163.

It is often mistakenly supposed that religious animosity between the parties is another of the factors which aggravate the Mandatory's task. This is not so, for two reasons. On the one hand modern Zionism is not a religious but a political movement. On the other, among the Arabs nationalism has come to transcend religious feeling; for instance, Moslem and Christian Arabs now work together. The antagonism is one between national, not between religious movements¹; nor is it racial, for both Jews and Arabs belong to the Semitic race.

Perhaps one reason for the difficulty experienced by British observers in understanding the Palestine problem is a profound psychological difference between the Anglo-Saxon and the Semitic races. The former, unlike most others, admires a capacity for compromise; for instance, a newspaper would not tend to sell in London with the title "*L'Intransigeant*." But with the latter an uncompromising nature is the ideal. "The Semites had no half tones in their register of vision. They knew only truth and untruth, belief and unbelief, without our hesitating retinue of finer shades."² These words were written of the Arabs, and are obviously not true of the whole of the Jewish branch of the Semitic race. But they are truer of the Jews of Eastern Europe than of the "assimilated" Jews of the west, so many of whom are non-Zionist; and it should be noted that the "eastern" Jews form the bulk of the Palestinian immigrants.³

This reasoning may explain why the Mandatory contemplates fulfilment of its obligations to both parties as so much more easily feasible than do the communities themselves.

(1) The only serious show of fanaticism—the Wailing Wall disturbances—was designed to annoy politically, not religiously.

(2) Lawrence, *The Seven Pillars of Wisdom*, 1935 edition, p. 38.

(3) See below p. 66.

IV. THE WORKING OF THE MANDATE, 1920-1930

1918-1920
The Military
Occupation

For nearly two years after the Armistice, Palestine, pending the allocation and confirmation of the Mandate, was under British military authority. The arrangement was a legacy of the situation at the cessation of hostilities against the Turks.¹ The supreme power lay with Lord Allenby ; General Sir Arthur Money was appointed Chief Administrator, and much was done to organise a government of the occupied territory, to restore the essential services, to relieve distress and, as far as the limitations of an occupation allowed, to begin the work of reconstruction.² The military administration also promoted the first recognised body for the relief and organisation of the Jewish community.

The 1920
Disturbances

The contemporary happenings in Syria, where the French and the Arabs were struggling for control, were the chief grounds for Palestinian unrest during this period. When (by an agreement of September 1919) the British garrisons were replaced by the French in Syria, and when all hope of the United States as mandatory for both territories waned with the withdrawal of America from participation in the peace settlement, Arab nationalism grew into a demand for a united and independent Palestine and Syria. In the circumstances,³ the Emir Feisul and other Arab leaders supported this claim, which was enhanced, among Palestinian Arabs, by fear of being swamped under a wave of organised Jewish settlement. This fear accounts for the first clash of Arab and Jew, which took place on Easter Sunday 1920, when the Arabs looted the Jewish quarter of Jerusalem with some loss of life. The Report of the Military Commission of Enquiry on these disturbances was never published.

Inauguration
of Civil
Administration

Following the allocation of the Palestine Mandate to Great Britain⁴ the military régime was superseded by a civil administration as from July 1, 1920, with Sir Herbert Samuel as High Commissioner.

Jewish
Immigration
and the 1921
Disturbances

The task of implementing the Balfour Declaration now began in earnest. The first Immigration Ordinance was enacted in September 1920, and the High Commissioner authorised the admission of Jews in accordance with a first year's quota of

(1) By the Armistice of Mudros, October 30, 1918.

(2) For further detail see Bentwich, *Palestine* (Modern World Series) pp. 82-84.

(3) For a summary of the friction with the French in Syria, see Stoyanovsky, *The Mandate for Palestine*, pp. 14-18, and (in greater detail) Temperley, *History of the Peace Conference*, Vol. VI, pp. 134-169.

(4) See above, p. 18.

16,500¹ fixed by the Administration. The Arabs at once began to manifest considerable alarm. It was popularly supposed among them that their land was to be expropriated for purposes of Jewish colonisation and that large-scale immigration would render the population of Palestine overwhelmingly Jewish; land and immigration, the two vexed questions upon which almost all subsequent trouble has hung, were prominent stumbling blocks from the first.²

These Arab fears were reflected in propaganda which was at its most violent during the visit of the British Colonial Secretary, Mr. Winston Churchill, to the territory early in 1921; some of it can be put down to the efforts of the Arab *effendi* class, which feared that it would lose its feudal position in the course of the social change which was likely to accompany the Jewish influx. A few months later, the orthodox Easter Sunday—a moment of fervour among the Arabs—unfortunately coincided with Labour Day, May 1. A collision between rival demonstrations of Jewish Communists and Jewish Socialists occurred in Tel-Aviv. Arabs from the neighbouring suburbs of Jaffa joined in the fray and “when the disturbance had once begun, an already acute anti-Jewish feeling extended into an anti-Jewish riot” in which the Arabs were “generally the aggressors.”³

The trouble did not spread. Martial law was declared, and Jewish immigration stopped for a short period, while a Commission of Enquiry reported that the cause of the disorders was Arab hostility “connected with Jewish immigration and with their conception of Zionist policy as derived from Jewish exponents.” After detailing the grounds for this hostility the report adds:

“But for the considerations set forth above we feel convinced that there would be no animosity towards the Jews as such; that there is no inherent anti-Semitism in the country, racial or religious. We are credibly assured by educated Arabs that they would welcome the arrival of well-to-do and able Jews who could help to develop the country to the advantage of all sections of the community.”⁴

This account of the 1921 disturbances is set out at some length because of the similarity of its causes with those of the disturbances of 1929, 1933 and 1936.

To reassure the Arabs and to make the position clear to both parties, the Colonial Office on June 3, 1922, published a state

*The Churchill
Memo-
randum
1922*

- (1) *Report of the Mandatory Power, July, 1920—December, 1921*, p. 127.
- (2) For a full discussion of these problems, see Chapters V and VI below.
- (3) *Report on the Disturbances. British White Paper*, Cmd. 1546, p. 59.
- (4) *Ibid.*, p. 54.

ment of British policy¹ giving a more precise interpretation of the Balfour Declaration. This statement, which since Mr. Winston Churchill was at the time Colonial Secretary, is usually known as the Churchill Memorandum, stressed :

(i) That His Majesty's Government did not contemplate either the creation of a wholly Jewish Palestine or the disappearance or subordination of the Arab population, language or culture in Palestine ;

(ii) That the terms of the Balfour Declaration did not contemplate that Palestine as a whole should be converted into a Jewish National Home, but that such a Home should be founded in Palestine ;

(iii) That, for its development on these lines, it was essential that it should have in Palestine a status of right rather than of sufferance and that it was for this reason that it should be formally recognised in the Mandate ;

(iv) That, for the fulfilment of the policy, the Jewish Community in Palestine should be able to increase its numbers by immigration, it being understood that such immigration should not exceed what might at the time be the economic capacity of the country, that the immigrants should not be a burden on the people of Palestine as a whole and that they should not deprive any section of the present population of their employment.

The Zionist Organisation formally accepted the policy set forth in the memorandum ; the Arabs, through the mouth of the Palestinian Arab Delegation which was at the time setting forth their case in London, declined to concur in it.²

*Attempt to
promote self-
government,
1922*

One of Sir Herbert Samuel's early measures, in October 1920, had been to set up a nominated Advisory Council to function pending the establishment of some elected body. This consisted of ten British officials and ten Palestinians, of whom seven were Arabs (four Moslems and three Christians), and three were Jews. It sat for two years and with some success, for "on no occasion did the Government find itself unable to accept the considered opinion of the non-official members."³

When the promulgation of the Mandate was at hand, "it was thought advisable to confer upon Palestine a constitution of a more representative character";³ in August 1922 Sir Herbert Samuel therefore propounded a constitution⁴ which, as a first step towards self-government, would have substituted for the Advisory Council a Legislative Council consisting of the High Commissioner and twenty-two members, ten official and twelve

(1) *British White Paper*, Cmd. 1700. For text see Appendix II.

(2) The relevant correspondence is published in *British White Paper*, Cmd. 1700, pp. 21-29, and is summarised on p. 111 below.

(3) *Report of the High Commissioner on the Administration of Palestine*, 1920-25, p. 44.

(4) Palestine Order in Council, 1922. *British Government publication: Statutory Rules and Orders No. 1282* of 1922. Reprinted in Stoyanovsky, *The Mandate for Palestine*, pp. 363-384.

elected, of whom eight were to be Arabs. The elected members were also to form a standing committee to advise the Government on all questions of immigration.

But the Palestinian Arab Executive opposed this, refusing to participate unless the Council contained a clear majority of Arabs over all others. They boycotted the elections to the Council, and Sir Herbert was obliged to abandon the proposed constitution. He returned to the nominated Advisory Council system, but composed in the same proportions as had been intended for the elected Council. But the Arab members appointed were induced one by one to resign within a very short time. The Government, therefore, abandoned the idea of non-official participation; since 1923, therefore, legislation has been effected by the High Commissioner in consultation with an Advisory Council composed entirely of British officials; but except where immediate action is judged to be in the public interest, all ordinances are published sufficiently in advance to enable the various interested committees to discuss them and, if necessary, to request amendment.

*Refusal of an
Arab Agency,
1923*

At the same time a further effort was made to secure Arab co-operation. Recognising that the special position accorded to the Jewish Agency under Article 4 of the Mandate placed the Jews upon a footing which the Arabs did not enjoy in dealing with Arab matters, the Government offered the Arabs a parallel Arab Agency. The offer was put to a "fully representative meeting of Arab notables" by the High Commissioner on October 11, 1923. "After an interval for discussion, they expressed themselves unable to accept the proposal, as falling short of the demands of the Arab population."¹ This attitude was explained to the High Commissioner in a letter from the President of the Executive of the Arab Congress:

"The object of the Arab inhabitants of Palestine is not an Arab agency analogous to the Zionist Agency. Their sole object is independence. The Arab owners of the country cannot see their way to accept a proposal which tends to place them on an equal footing with the alien Jews."

It had become obvious that the Arab objection was not to the way in which the Mandate might be worked, but to the whole policy of the Mandatory, however exercised, and that by no concession, however liberal, were the Arabs prepared to be reconciled to a régime which recognised the implications of the Balfour Declaration. The British Government gave up heart. "Towards all these proposals the Arabs have adopted

(1) For a full statement of the proposal and an account of the interview, see *British White Paper*, Cmd. 1989.

the same attitude—refusal to co-operate. His Majesty's Government have been reluctantly driven to the conclusion that further efforts on similar lines would be useless and they have accordingly decided not to repeat the attempt."¹

*Period of
appeasement
1923-1928*

Despite these rebufs, the Mandate began to work fairly smoothly in the hands of successive High Commissioners,² and the six years 1923-1928 were a period of appeasement and development during which it seemed legitimate to hope that the two communities would settle down side by side. The best indication of the prevailing optimism is the Mandatory Power's policy in regard to security. In 1926 the British armed forces in Palestine were reduced to one squadron of the Royal Air Force and two companies of armoured cars; the police force was simultaneously reorganised and reduced.³ These conditions, which continued until the disturbances of 1929, did not receive the entire approval of the Permanent Mandates Commission. At its Ninth Session in 1926 it drew the attention of the Mandatory to the "danger of not maintaining adequate local forces"⁴; at its Sixteenth Session, in July 1929, the High Commissioner reassured it that the "resources at the disposal of the Government" were sufficient to deal with any situation that was "likely to arise";⁵ at its Seventeenth Session—the special session on the 1929 disturbances—it was therefore in a position to reprimand the Mandatory for the "inexplicable fact" of failure to heed its "increasing warnings."⁶

Apart from the reduction of the armed forces, perhaps the most striking feature of the period was the severe economic depression which lasted from the end of 1925 until 1928. This was later put down both by the Shaw Commission on the 1929 disturbances and by the Government to the exceptional volume of immigrants in the preceding years, and can in part be attributed to the collapse of the Polish currency in 1925 which stranded many immigrants without resources.⁷

The calm which prevailed enabled the Mandatory to proceed with administrative reforms, the chief of which, so far as the

(1) The concluding paragraph of *British White Paper*, Cmd. 1989.

(2) The full list is as follows:—

1920-1925	Sir Herbert Samuel.
1925-1928	Lord Plumer.
1928-1931	Sir John Chancellor.
1931-1935	Sir Arthur Wauchope.
1935-	Sir Arthur Wauchope.

(3) For full details see Report on the 1929 Disturbances (*British Blue Book*, Cmd. 3530), pp. 13-14.

(4) *Minutes*, p. 184.

(5) *Minutes*, p. 80.

(6) *Minutes*, p. 28.

(7) See below, pp. 64-5.

fulfilment of the Mandate was concerned, was the Municipal Franchise Ordinance of 1925; the resultant municipal election took place in 1927, and "aroused keen popular interest and in many places, a factious spirit, but were carried out in an orderly manner."¹

In 1928, and again in 1929, Arab delegations petitioned the High Commissioner for the establishment of an elective parliament, and during the summer of 1929 Sir John Chancellor returned to London to discuss the matter with the Colonial Office

*Disturbances
of 1928 and
1929*

It was during his absence that there took place the really serious disturbances—the first since 1921—which put an end to the illusion that all was going well.

The immediate result of the outbreak was the abandonment for the time being of all progress towards self-government; the long term result was the ventilation of sentiments which showed clearly that the conflicting claims of Arabs and Jews and the difficulties of the Mandatory in carrying out the dual trust had grown greater rather than less with the years.

*The Wailing
Wall incident*

The first obvious sign of unrest was the so-called Wailing Wall incident, which took place on the eve of the Day of Atonement, September 24, 1928. The Wailing Wall represents Holy Ground for Jews and Moslems alike—the Jews pray at one end because it formed part of the western wall of the Temple; the Arabs venerate the other because it is the part of the Haram-al-Sharif where El Burak, the winged horse of the Prophet, was tethered in the night of his travelling. Under Turkish rule the Jews had established a certain limited right of access, and the Palestine Government felt bound to maintain the *status quo ante*. The Arabs complained that the Jews were attempting bit by bit to extend the bounds of this limited right, and their complaints caused the Administration to remove some Jewish innovations on the Day of Atonement itself, an act which engendered high feeling all round.²

*The
Disturbances
of August,
1929*

The incident was the prelude to much more serious disturbances which took place in August, 1929. Looking back, many people have criticised the Mandatory for having failed to read the signs of the times, and for being so unready for what took place.

On August 15 a Jewish demonstration, organised by enthusiasts from Tel-Aviv, was held at the Wailing Wall. On the next day, Arab demonstrators, led by enthusiasts from Nablus did likewise. Tel-Aviv and Nablus are the strongholds

(1) *Report of the Mandatory Power for 1927*, p. 4.

(2) For a full report on the incident, see *British White Paper*, Cmd. 3229.

of Jewish and Arab nationalism respectively, and the demonstrations took place in an atmosphere of considerable excitement, stimulated by the protests against Jewish action in connection with the Wailing Wall which the Supreme Moslem Council, through the mouth of its President, the Mufti of Jerusalem, had been making for some months past.¹ Disturbances subsequently took place all over the country, the most serious outbreaks occurring at Hebron, Jaffa and Haifa, where the Arabs attacked Jewish hospitals and synagogues. These were countered by Jewish attacks on mosques in Jaffa and Jerusalem, the whole finally resulting in 133 Jews killed and 339 wounded, and the total destruction of six Jewish colonies. There were 116 known Arab deaths. During the subsequent proceedings before the court of final instance, 26 death sentences were confirmed, 25 of them upon Arabs, one upon a Jew. All but three of these sentences—all on Arabs—were commuted to terms of imprisonment.

The two disturbances caused a long and complicated series of enquiries by the British Government, both on its own initiative and at the request of the Permanent Mandates Commission, and ink flowed from the Government and the League, the Jews and the Arabs all through 1930.

*The Shaw
Commission*

On September 1 the High Commissioner, who had been on leave when the disturbance took place, but had returned in haste to Palestine, issued a proclamation deploring the outbreak and announcing the suspension of the discussions on constitutional changes which, in accordance with an undertaking given to the Arab Executive, he had initiated with the Secretary of State.

On September 14, the Colonial Office announced that a Commission of Enquiry, with Sir Walter Shaw as chairman,² would at once proceed to Palestine "to enquire into the immediate causes of the recent outbreak and to make recommendations as to the steps necessary to avoid recurrence." It was stressed that the terms of reference of the Commission did not extend to considerations of major policy.³

*Shaw Report
Findings*

With regard to the past, the Commission found that the outbreak had its fundamental cause in the Arab feeling of animosity and hostility towards the Jews arising from the fear that, by Jewish immigration and land purchase under the Jewish

(1) For details see *Report on the Disturbances*, pp. 31-34.

(2) Sir Walter Shaw had been a prominent colonial Chief Justice; the other members were Sir Henry Betterton, Bt., M.P. (now Lord Rushcliffe); Mr. M. Hopkins Morris, M.P. and Mr. H. Snell, M.P. (now Lord Snell). Their report (*British Blue Book*, Cmd. 3530), was published on March 12, 1930.

(3) By Mr. Henderson at the Labour Party Conference on October 2, 1929.

National Home project, the Arabs might be deprived of their livelihood and eventually pass under Jewish domination; the similarity with the findings of the Commission on the 1921 disturbances is interesting.¹

The Report explicitly stated that in the opinion of the Commissioners the Arab attack was "neither provoked, premeditated nor directed against the British administration." It found that the Mufti of Jerusalem and the Arab Executive in their collective capacity did not plan or incite the disturbances, that the Mufti should not have launched his campaign on the Wailing Wall issue, and that he and his Executive should have controlled their followers before the explosion (Mr. Snell, in signed reservations annexed to the Report, attached greater blame to the Mufti.) It also exonerated the administration from blame in its handling of the dispute before reinforcements arrived from Egypt and Malta. Certain of these findings were later to be peremptorily questioned by the Permanent Mandates Commission.

*Shaw Report
Recommendations*

As to the future, in the light of the disturbances and of its extensive enquiries in Palestine, the Shaw Commission's chief recommendations were :—

1. That the British Government should issue a clear statement of policy defining the meaning it attached to the passage in the Mandate concerning the safeguarding of the rights of non-Jewish communities and laying down more explicit directions as to the conduct of policy on such vital issues as land tenure and immigration ;
2. That the Government should make a clear statement regarding Jewish immigration, and should review the machinery for its regulation and control with the object of preventing a repetition of the "excessive" Jewish immigration of 1925 and 1926.² That non-Jewish interests should be given some voice in the discussions on immigration ;
3. That a scientific enquiry should be held into land cultivation and settlement possibilities. That pending this enquiry the eviction of peasant cultivators from the land should be checked ;³
4. That as regards the Zionist Organisation the Government should reaffirm the statement made in 1922 that the Organisation's special position did not entitle it to share in any degree in the Government of Palestine. That the Government should if possible lay down some precise definition of the meaning of Article 4 of the Palestine Mandate ;
5. That it was essential to the peace and security of Palestine that a Commission should be appointed to determine the rights of both parties at the Wailing Wall.
6. That the Government should introduce press legislation enabling them to obtain convictions on articles tending to a breach of the peace.
7. That appropriate advisers of His Majesty's Government should advise as to the most suitable form of garrison for Palestine. That no

(1) See above, p. 40.
(2) See below, p. 65.
(3) See below, pp. 58-9.

reduction should be made till then in the existing garrison. That an independent enquiry should be made into the Department of Police. That the Palestine Government should be instructed to enquire into and report on the possibility of forming a reserve of Special Constables.

*The Wailing
Wall
Commission*

By the time the Shaw Report was published, in April 1930, the recommendation regarding the Wailing Wall had already been put into effect.

In November, 1929, the British Government had delivered to the League for communication to the Permanent Mandates Commission a proposal for a Commission appointed under Article 14 of the Mandate "to study, define and determine the rights and claims of Jews and Moslems at the Western or Wailing Wall" (An earlier attempt to implement Article 14 by the appointment of a Holy Places Commission had failed in 1922, when the League Council had—owing to failure to secure agreement as to the representation of the confessions upon such a Commission—turned down the British proposal). But with reference to the immediate issue of the 1928-9 disturbances, the plea was more successful, and on May 15, 1930, the Council approved the appointment of MM. Löfgren (Sweden), Barde (Switzerland), and van Kempen (Netherlands). Their report, which, generally speaking, confirmed the *status quo*, was published in June 1931¹; their recommendations were implemented by an Order in Council in accordance with which order at the Wall has since been maintained.

*1929-1930
Jewish and
Arab
demands*

Throughout the period of composition and presentation of the Shaw Report, it was clear that every move would draw the fire of one or both sides.

On September 23, 1929, immediately after the disturbances, the British Prime Minister had received through Dr. Weizmann the main demands of the Zionist Organisation and Jewish Agency. These included a demand that the persons and property of Jews in Palestine should be safeguarded, and the suggestion that an adequate number of Jews should be introduced into the Defence Force of the country.² Further it suggested that the Mandatory, in order to fulfil the promise contained in the Mandate and the Balfour Declaration, should

(1) Published by His Majesty's Stationery Office, London. 58-9096. 1931. For a full summary of the appointment and proceedings of the Commission see Toynebee, *Survey of International Affairs*, 1930, pp. 284-286.

(2) As early as 1921 the Revisionists had drawn up comprehensive plans for an exclusively Jewish defence force to form part of His Majesty's forces in Palestine, but the Government was always averse to passing legislation permitting this. After the 1929 disturbances sealed armouries were permitted in Jewish colonies, the key being entrusted to a responsible leader of the community, and during the 1936 disturbances some 2,800 Jews were enrolled in the Special Constabulary in order to defend Jewish settlements. See below, p. 83. See also Melchett, *Thy Neighbour*, pp. 249 and 255-6.

take economic steps to allow for increased Jewish immigration and colonisation for which a further economic opening up of the country was necessary.

The Arab demands were put forward by a delegation selected by the Palestine Arab Executive and consisting of four Moslems and one Christian, which arrived in London on March 30, 1930. On May 12, 1930, the Delegation issued a statement to the effect that the British Government had rejected its demands, namely: (i) cessation of immigration; (ii) a declaration that Arab lands were inalienable; (iii) the establishment of democratic government with representation on a population basis.

On May 13 the British Government declared that the "sweeping constitutional changes" demanded by the Arabs were incompatible with the requirements of the Mandate.

On April 3, 1930, the Prime Minister (Mr. Ramsay MacDonald) made a statement of policy in the House of Commons¹ which was no more than a reiteration of the terms of the Mandate. He added that the Government was studying the Shaw Commission's recommendations, and was in the meantime immediately providing adequate police forces.²

*Criticisms of
the
Permanent
Mandates
Commission*

As is its practice when unusual occurrences disturb the peace in a Mandated Territory, the Permanent Mandates Commission decided to hold an extraordinary session on the Palestine disturbances in June, 1930, and to this meeting the British Government submitted a special statement with regard to policy,³ reiterating the Mandatory's intention to fulfil the triple pledge inherent in the Mandate, but pointing out the difficulties of promoting self-government in current circumstances.

The Permanent Mandates Commission, which had before it this statement, the Shaw Report and the supplementary information supplied in committee, strongly criticised the British Government's execution of its task. As regards the Shaw Report, it rejected the view that the outbreak was unexpected and unpremeditated, and that it was not directed against British authority. It held that with a little foresight many incidents could have been avoided, and that the inaction of the Mandatory Power was the fundamental cause of a disturbance of such dimensions. It substantiated this accusation with some more general criticisms of British policy. Insufficient attention had been paid, it said, to "the social and economic adaptation

(1) See *Hansard*, coll. 1466-7.

(2) See below p. 49.

(3) *British White Paper*, Cmd. 3582.

of the Arab population to the new conditions due to Jewish immigration ;" the Arabs had every cause for dissatisfaction on this score. Moreover, despite its warnings, the Mandatory had maintained forces so inadequate as to fail to secure "the essential condition for development of the Jewish National Home, security for persons and property." It also argued that more might have been done to bring about that economic "fusion of interests which is the best possible means of developing a sense of solidarity and blunting the edge of antagonism."

The report embodying those "somewhat serious criticisms of British policy" was published in London and Geneva on August 25, 1930, together with the British Government's reply.¹ The latter stated that the Commission scarcely appreciated the complexity of the problem as encountered on the spot, and that its previous comment on British policy could not be said to have foreshadowed these serious charges. It was doubtless to atone for some rather heated wording in this document that Mr. Henderson, speaking on Palestine before the League Council in the following September, stated that the British Government fully appreciated it was "the duty of the Permanent Mandates Commission to criticise."

*Re-
organisation
of Police*

Meanwhile, two important steps had been taken to put the Shaw recommendations into effect ; between January and March 1930, the Palestine Police Force was reorganised under the supervision of Mr. (now Sir Herbert) Dowbiggin of the Ceylon Police. Substantial increases were made in the British personnel, and special steps were taken to protect exposed Jewish settlements. Two British infantry battalions were for the time being retained in Palestine ; in fact the garrison remained at this strength until the disturbances of 1936.

*Enquiry into
land
settlement*

The second important step was the appointment in May 1930, of Sir John Hope Simpson, formerly of the Indian Civil Service, to enquire into land settlement, immigration and development. Pending the publication of his report, the undistributed balance of immigration certificates under the 1930 schedule was suspended. This last measure was strongly resented in Zionist circles, the Jews appealing to the British Government "to reopen the Gates of Palestine and thus reaffirm the rights of the Jews to return to their National Home."

(1) *League of Nations Document, C.355, M.147, 1930, VI.*

V. THE LAND SETTLEMENT CONTROVERSY, 1930—31.

*The Hope
Simpson
Report
and ac-
companying
White Paper*

Sir John Hope Simpson spent three months in Palestine, and his Report,¹ together with an accompanying Government Statement of Policy² based on its conclusions, was published on October 20, 1930.

The contents of the Hope Simpson Report are only to some extent important, for its basic premise was questioned, and only a few of its recommendations have been acted upon. But it is interesting to summarise its main points; (i) because it was the first detailed attempt to assess the population capacity of Palestine, and (ii) because a knowledge of its points is essential to an understanding of the controversy which followed, and which is an illustration of the problem facing the Mandatory Power.

*The
geography of
Palestine*

The arguments on both sides in this controversy cannot be properly assessed without some conception of the geography of Palestine.³

"Within the limits of a province, it offers the varieties of soil and climate of a continent. It is a country of mountain and plain, of desert and pleasant valleys, of lake and sea-board, of barren hills, desolate to the last degree of desolation, and of broad stretches of deep, fruitful soil."

The country is approximately 160 miles long and at no point more than 70 miles wide. It is therefore slightly larger than Wales and slightly smaller than Belgium.

*Continued
predominance
of agriculture*

It is still predominantly agricultural. There are only four large towns—Tel-Aviv (130,000), Jerusalem (98,000), Jaffa (52,000) and Haifa (50,000); Nablus, the Arab centre, which is the next on the list, has a population of only 17,000. Although the towns have grown rapidly—particularly Tel-Aviv, the all-Jewish town, which contained only 15,000 inhabitants in 1922 as compared with 130,000 to-day—the rural population has expanded equally rapidly, and at the 1931 census still represented roughly 60 per cent. of the total, the same proportion as in 1922.

*Geographical
Divisions of
Palestine*

The country is bounded on the west by the Mediterranean and on the east by the river Jordan, these two being divided

(1) *Palestine: Report on Immigration, Land Settlement and Development*, by Sir John Hope Simpson, *British Blue Book*, Cmd. 3686 of 1930.

(2) *Palestine: Statement of Policy by His Majesty's Government in the United Kingdom*. *British White Paper*, Cmd. 3692 of 1930.

(3) For general details see Luke and Keith-Roach, *Handbook of Palestine and Transjordan*, Part I, in which the passage which follows is quoted from a Government report.

by a range of hills running from north to south for practically the entire length of Palestine. Geographically it falls naturally into four main divisions :

- (1) The Hill Country of Galilee (in the north) and of Samaria and Judaea.
- (2) The Five Plains.
 - (a) The Maritime Plain between the coast and the hills.
 - (b) The Acre Plain between Acre and the hills.
 - (c) The Vale of Esdraelon (south-east of Haifa).
 - (d) The Huleh Plain (extreme north-east).
 - (e) The Plain of the Jordan.
- (3) The Beersheba area (the south-west).
- (4) The arid desert areas in the south-east.

(1) *The Hill Country*, which covers roughly one-third of Palestine, offers very limited possibilities for the future. Indeed, the eastern part of the hills, running steeply down to the Jordan, are an uninhabited wilderness. The soil is almost all poor, and irrigation for the most part out of the question. There is room for some improvement by the use of manure and better seeds, and by some substitution of fruit-growing for cereals. But the possibility of any considerable expansion of the present population here is extremely doubtful ; the standard of life of the inhabitants is extremely low, and the area is probably already suffering from over-population.

(2) (a) *The Maritime Plain* covers the whole area between the coast and the hills except the small section north of Haifa. In the south it is about twenty miles wide but gradually narrows to a few hundred yards near Haifa. This is the great orange producing district, having a mass of the wind-blown sand suitable for this purpose. All but a small part is not only cultivable, but irrigable.

(b) *The Acre Plain*, which includes the land between the coast and the hills north of Haifa, is also irrigable. Here, however, the soil is heavy and black, suitable for mixed farming, but not for oranges.

(c) *The Plain of Esdraelon*, which runs south-east from Haifa towards the Jordan Valley in the shape of a triangle, is mostly cultivable, and is probably the most fertile part of Palestine. Its alluvial clay is particularly suitable for cereals.

(d) *The Huleh Plain* in the extreme north-east consists partly of rich alluvial land. But over one-third of it is undrained marsh, of which the greater part is included in the Huleh Concession.¹

(1) See below, p. 79.

(e) *The Plain of the Jordan* is perhaps rather more than half cultivable. The land in the north is very fertile; that in the south could be so if irrigated. The average width of this plain is about three miles.

(3) The possibilities of the *Beersheba region* (about one-tenth of Palestine) are at present unknown. Given irrigation, it could provide a large supply of cultivable land. But it remains to be seen whether fresh water can be found there; so far only salt water has been obtained.

*Distinction
between Hill
Country and
Plains*

The distinction between the Hill Country and the Plains (where the great bulk of the Jewish colonies are established) is quite fundamental to the problem of land settlement in Palestine; for it is only in the Plains that irrigation is possible on any large scale, and irrigation is an essential condition for that intensive form of cultivation introduced by the Jews which provides the only hope for any real expansion of the agricultural population of Palestine. Even in the Plains, however, irrigation depends on water being available; there is the possibility of an exhaustion of the existing supplies. According to Sir John Hope Simpson, the suggestion that the water-table in the Maritime Plain had fallen was disposed of by an expert Committee; but Mr. French, the Director of Development appointed in 1931, was unable to find that any expert Committee had ever investigated the matter; a survey of the water supply nearly complete at the end of 1936 appears to show that there is no diminution.

*Likely
fields for
development*

Intensive development on any considerable scale is likely to be chiefly concentrated in Beisan (in the north of the Jordan Valley), Huleh and Beersheba. With irrigation, the Beisan lands might accommodate 2,500 families in addition to the 950 there already.¹ The development of Huleh depends on drainage of the marsh, which should now be accomplished, since the Arab concessionaires who lacked the necessary capital have at last disposed of their concession to the (Jewish) Palestine Land Development Company.² Huleh and Beisan are of importance in that they alone of all the State lands referred to in Article 6 of the Mandate as suitable for Jewish settlement offer any possibilities of further development; the remainder are already fully occupied by Arab tenants or squatters. Finally, the considerable possibilities of the Beersheba region must remain unrealised unless fresh water is discovered there; and "even if good fortune attend this (well-boring) experiment,

(1) *French Report*, p. 28.

(2) See below, p. 79.

years must elapse before we should be in a position to place settlers on the land.^{7,1}

*The Hope
Simpson
Conclusions*

The basic premise of the Hope Simpson Report was its estimate of the total cultivable area of Palestine ; the figure accepted by Sir John represented a drop of almost 40 per cent. on most previous estimates—6,544,000 dunums² as opposed to the 10,592,000 dunums² arrived at a few months earlier by the Commissioner of Lands—not to mention the 16-18,000,000 dunums estimated by Mr. Jabotinsky, the leader of the Revisionists.

Starting from this premise, Sir John dealt with the immediate course to be pursued under three heads: land settlement, development and immigration.

(1) *Land Settlement*: Sir John stated that even if the land not occupied by Jews were divided equally among the Arab population there would not be enough to support each Arab family at a decent standard of life ; that " it is an error to imagine that the Government is in possession of large areas of vacant lands which could be made available for Jewish settlement," and that with the exception of the large reserve of undeveloped land held by the Jewish authorities, there was " at the present time and with the present methods of Arab cultivation " no margin of land available for agricultural settlement by new immigrants.

(2) *Development*: Sir John's basic conclusion was that the only way in which the Mandate could be carried out was by the agricultural development of rural Palestine by means of:

(i) Large-scale irrigation, combined with a thorough survey and regulation of water supplies.

(ii) The partition of the considerable quantity of Arab land still communally held into permanent individual holdings, *i.e.* the abolition of the *Mesha'a* system.³

(iii) The substitution of intensive for extensive methods of cultivation (*e.g.* grapefruit and tobacco in place of cereals).

(iv) Education: " The educational budget is far too small for the requirements of the country " ; the report emphasises that it is useless to expect the Arab to benefit from agricultural education unless he has previously received elementary education.⁴

(1) *French Report*, p. 29.

(2) Excluding Beersheba.

(3) See above, p. 32.

(4) pp. 79-82. See above pp. 33-4.

(v) The encouragement of Arab as well as Jewish Co-operatives, particularly Credit Co-operative Societies.

This policy was to be executed under the supervision of a Development Commission, consisting of a British Chairman, one Arab and one Jew. "It is my personal belief," Sir John concluded, "that with thorough development of the country there will be room, not only for all the present agricultural population on a higher standard of life than it at present enjoys, but for not less than 20,000 families of settlers from outside."

3. *Immigration*: Broadly speaking, therefore, Sir John's conclusion was that, taking a short view, agricultural immigration should not be permitted, but that taking a long view, there should be room for 20,000 families.

As regards other immigrants, he maintained that "if there are suitable Arab workmen unemployed it is not right that Jewish workmen from other countries should be imported to fill existing posts." But Sir John made one important exception to this general rule, which loomed very large in subsequent discussions: he pointed out that since Jewish capital was only imported with the definite object of employing Jewish labour, the Arabs had nothing to gain by stoppage of the inflow of the labour and therefore of the capital. In fact they were better off if they allowed it to continue, "as the expenditure of that capital on wages will cause, ultimately, a demand for the services of a portion of the Arab unemployed."¹

*British
Statement
of Policy,
October 20,
1930*

The Government Statement of Policy accompanying the Report, which was published as a White Paper,² was divided into two parts. The first, which dealt with general principles, stressed the necessity for co-operation and pointed out that the British Government had received no assistance from either Jews or Arabs in its attempts to achieve this; it also reiterated the statements in the Churchill Declaration of 1922 regarding the Jewish National Home, the Jewish Agency, and immigration, and argued that the promises to the two sections of the population were of equal weight and were not irreconcilable.

The second part considered "the practical problems to be faced" and stated policy as regards: (i) *Security*: "His Majesty's Government have decided to retain in Palestine, for the present two battalions of infantry; in addition to these, two squadrons of air-craft and four sections of armoured cars will be available in Palestine and Transjordan"; (ii) *Constitutional Development*.

(1) *Hope Simpson Report*, p. 136.
(2) *British White Paper*, Cmd. 3692.

“ The time has now come when the important question of the establishment of a measure of self-government in Palestine (*i.e.* the Legislative Council envisaged in the Churchill Memorandum of 1922) must . . . be taken in hand without further delay ”; and (iii) *Economic and Social Development* : This section, which covered the vexed questions of land, immigration and unemployment, was largely an almost verbatim recapitulation of Sir John Hope Simpson's conclusions, with one or two notable omissions.

Storm of
Criticism

Both the Hope Simpson Report and the White Paper, but particularly the latter, provoked a storm of protest, primarily from the Jews, but also from Conservative Opposition leaders and others.

Criticism of
Hope
Simpson
Report

The fundamental objection to Sir John Hope Simpson's Report related to his estimate of the area of cultivable land, which was regarded as based on entirely inadequate evidence.¹

It was pointed out that the differences between his figures and those of the Commissioner of Lands related chiefly to the Hill Country, where Sir John's estimate was based on aerial surveys of only one-tenth of the total area. The assumption that the relative proportions of cultivable and uncultivable land in this one-tenth were the same throughout the whole area was more than arbitrary. In any case, though it might be possible to distinguish cultivated land from an aeroplane, it would hardly be possible to distinguish the cultivable but as yet uncultivated tracts. Moreover, Sir John himself had given examples of the successful cultivation of “ rocky hillsides ” such as he dismissed as uncultivable in other parts of his Report.

Criticism
of the
White Paper

The White Paper was naturally attacked for accepting Sir John's figure and the deductions drawn from it, particularly as it omitted his reservations. But two of its other principles met with equal criticism :

(i) It stated that “ in estimating the absorbtive capacity of Palestine at any time account should be taken of Arab as well as Jewish unemployment in determining the rate at which Jewish immigration should be permitted.” But it did not except as Sir John had done, the “ special case ” where Jewish capital was imported solely for the employment of Jewish labour —which, as the Jews pointed out, was not so much a “ special case ” as the general rule.

(1) See e.g. Stein, *Memorandum on the Palestine White Paper of October, 1930*, Jewish Agency for Palestine, November, 1930.

(ii) It laid down that any State lands becoming available should be reserved for the settlement not, as prescribed in Article 6 of the Mandate, of Jews, but of landless Arab cultivators. But it made no qualification that these should have been dispossessed as a result of Jewish purchases, or even that they should previously have possessed any land.

The Jewish authorities accordingly argued that the White Paper of October, 1930, was "inconsistent with the terms of the Mandate, and in vital particulars marks the reversal of the policy hitherto followed by His Majesty's Government in regard to the Jewish National Home."¹

*The
fundamental
objection*

Fundamentally, however, the Jewish objections were directed against the tone and temper of the document, and what was regarded as its implied criticism of all previous Jewish activities in Palestine.

*Political
consequences
of the
White Paper*

The publication of the Hope Simpson Report and White Paper had immediate and serious consequences. Dr. Weizmann, the President of the Zionist Organisation and of the Jewish Agency, informed the Secretary of State for the Colonies, Lord Passfield, that he had resigned on the issue. Both the late Lord Melchett and Mr. Felix Warburg also resigned, the former from the chairmanship of the Council and of the Political Committee of the Jewish Agency, the latter from the chairmanship of the Administrative Committee. On October 30, 1930, three leading members of the Opposition—Mr. Baldwin, Sir Austen Chamberlain and Mr. Amery, writing to *The Times*, deplored the Government's failure to fall in with Dr. Weizmann's proposal for a Round Table Conference between Jews and Arabs and accused the Government of abandoning the policy embodied in the Mandate. General Smuts telegraphed a protest to the Prime Minister, and on legal grounds Sir John Simon and Lord Hailsham² also declared the Statement to involve a departure from the Mandate.

*Mr.
MacDonald's
Explanatory
Letter*

It was evident that some attempt at conciliation must be made; and on November 14, 1930, it was announced³ that "doubts having been expressed as to the compatibility of some passages of the White Paper of October with certain articles of the Palestine Mandate, and other passages having proved liable to misunderstanding, His Majesty's Government" had "invited members of the Jewish Agency to confer with them on these matters." As a result of these discussions there was

(1) Dr. Weizmann's second letter to Lord Passfield, October 29, 1930.

(2) *The Times*, November 4, 1930. A reply from Lord Passfield was published on November 6.

(3) *The Times*, November 14, 1930.

published¹ on February 14, 1931, a letter from Mr. Ramsay MacDonald, the Prime Minister, to Dr. Weizmann, which completely changed the whole situation.

This letter, which was published "in order to remove certain misconceptions and misunderstandings which have arisen as to the policy of His Majesty's Government with regard to Palestine," was to be regarded as the authoritative interpretation of the White Paper "on the matters with which it dealt." "A good deal of criticism has been directed to the White Paper upon the assertion that it contains injurious allegations against the Jewish people and Jewish Labour organisations. Any such intention on the part of His Majesty's Government is completely disavowed." On specific points, the "landless Arabs" who by the White Paper were given first claim on the state lands previously pledged in the Mandate for "close settlement by Jews" were now limited to "such Arabs as can be shown to have been displaced from the lands which they occupied in consequence of the lands passing into Jewish hands, and who have not obtained other holdings on which they can establish themselves, or other equally satisfactory occupation." "Further, the statement of policy of His Majesty's Government did not imply a prohibition of acquisition of additional land by Jews. . . . What it does contemplate is such temporary control of land disposition and transfers as may be necessary not to impair the harmony and effectiveness of the scheme of land settlement to be undertaken." "His Majesty's Government did not prescribe and do not contemplate any stoppage or prohibition of Jewish immigration in any of its categories." Finally, "His Majesty's Government do not in any way challenge the right of the Agency to formulate or approve and endorse" the principle that in all works or undertakings carried out or furthered by the Agency, only Jewish labour should be employed.

Ultimately the real "difference between the new document and its immediate predecessor lay not in its statements of fact or in its pronouncements upon policy, but in its concentration upon those particular facts and those particular points of policy which were agreeable to Zionists, and in its replacement of the phraseology which had given offence to the Jews by a phraseology which was courteous and considerate in its tone towards them almost to the point of being ingratiating."²

Upon the publication of Mr. MacDonald's letter the roles of the Jews and of the Arabs were immediately reversed. Dr. Weizmann announced that "this statement of policy . . . has,

Jewish and
Arab
reactions

(1) *The Times*, February 14, 1931.

(2) Toynbee, *Survey of International Affairs*, 1930, p. 302.

in my opinion, re-established the basis for that co-operation with the Mandatory Power on which our policy is founded." On the other hand, the President of the Palestine Arab Executive denounced the letter as a breach of faith, in which the policy of the White Paper had been thrown over.¹

*Attempts to
implement
the Hope
Simpson
recom-
mendations
Development
Loans*

Meanwhile the Mandatory Power was already taking steps to implement the policy of the "agricultural development of rural Palestine" recommended by Sir John Hope Simpson and adopted in the White Paper.

On November 17, 1930, it was announced that the British Government would guarantee, and for the first few years provide the service of a £2,500,000 loan, designed primarily to increase the general productivity of Palestine, £250,000 being reserved for the settlement of up to 10,000 Arab families. In fact, owing to the subsequent financial crisis in Great Britain, this loan was never floated. The project was reopened in 1934, when by the Palestine Loan Act the British Government guaranteed the service of a £2,000,000 loan; but largely, no doubt, owing to the series of budget surpluses enjoyed by Palestine in recent years,² no loan has yet been issued.

*Appointment
of Director of
Development*

In July, 1931, Mr. Lewis French, formerly of the I.C.S., was appointed as the promised Director of Development. But the potential importance of this step was largely nullified by the refusal of both the Arabs and the Jews to co-operate with Mr. French. The Arabs demanded an assurance that the development scheme would not be based on the principles laid down in Mr. MacDonald's letter to Dr. Weizmann;³ whilst the Jewish refusal represented a protest against the tightening up of the Protection of Cultivators Ordinance designed to restrict Jewish purchases of Arab land.⁴ In consequence, the Jewish and Arab advisers contemplated were never appointed; both parties refused to accept the proposals contained in the French Reports and Mr. French resigned at the end of 1932.

*The "Land-
less Arab"
investigations*

The most important part of Mr. French's work was his investigation of the problem of "landless Arabs." The claims of this "discontented landless class," whose position was attributed to Jewish purchases of land, had been emphasised by the Shaw Commission. According to its Report:

"Of the land purchased by the Jews, so Dr. Ruppin informed us, relatively small areas not exceeding in all 10 per cent. were acquired from peasants. The other areas have been acquired from the owners of large estates most of whom live outside Palestine."¹

(1) Communication to the British High Commissioner in Palestine, February 17, 1931.

(2) See below, pp. 69-70.

(3) See above, pp. 56-7.

(4) *Jewish Agency Report for 1933*, p. 33.

Broadly speaking, the Arabs who sold land to Jews, almost always at good prices, fall roughly into three classes: the landlord, (very often an absentee) the sale of whose land raised the problem of ejected tenant occupiers; the industrious peasant who sold part of his land and worked up the remainder on the profits; and the type who sold all his land, at prices beyond his dreams of avarice, and who failed to use the substance thus acquired in a way that would keep himself and his family.

The French investigations, if they did not quite, as is sometimes suggested, dispose of the "landless Arab" as a "myth," certainly established that far fewer Arabs had been dispossessed than had been suggested.² Of 3,271 claims up till the end of 1935 (of which only 35 were lodged in that year) 2,607 were disallowed, and 664 heads of families were admitted to the Register of Landless Arabs.³ Including dependants, this meant that perhaps 3,000 or 4,000 persons had become "landless" owing to Jewish purchases. By 1936, some 300 heads of families had accepted the holdings offered them upon Government estates, the remainder (and also, no doubt, a certain number who never put in their claims), having secured alternative employment elsewhere.

But the fact that Jewish land purchases have not so far created a "landless" class of any dimensions is, of course, no guarantee that they will not do so in the future. It was to guard against this possibility that Mr. French, like Sir John Hope Simpson before him, recommended the passage of an Occupancy Tenants Ordinance to guarantee security of tenure, and a Homesteads Protection Ordinance to guarantee the inalienability of a minimum holding (*lot viable*) for every cultivator. Of these proposals, the first was implemented in 1933, whilst legislation along the lines of the second was promised early in 1936.⁴

(1) p. 114.

(2) It may be noted that in investigating the landless Arab problem Mr. French "thought it inadvisable to request Government to issue public proclamations inviting applications, since such notifications are apt to lead to idle claims. Accordingly, the District Officers were instructed to ascertain in what villages displacement of Arab cultivators had occurred. . . ." Before any claim was finally approved by the Director, the Jewish Agency was given an opportunity to raise objections.

(3) *Report of the Mandatory Power for 1935*, p. 62. It is perhaps interesting to give here the view of a critic of the Administration on this score: "The rejection of the remaining 2,607 applications appears to have been due to the Government's refusal to include in its definition of "landless Arab" any head of a family (a) who still retained enough land to provide him (in the Government's opinion) with a livelihood; (b) who, though he had lost all his land, had found work elsewhere. That is to say that landless Arabs who had drifted to the towns and become proletarians were left to the fate of proletarians: to have a job at two or three shillings a day when there was work going, and when there was none, to be destitute." *Labour Monthly Pamphlets*, No. 7; by a British Resident in Palestine, 1936.

(4) See below, p. 80.

VI. IMMIGRATION AND ECONOMIC CONDITIONS

The account in the preceding chapter goes to show that land settlement, which is one of the two basic problems of the future of Palestine, should not be an insoluble question ; immigration, which is the other, raises more fundamental difficulties.

Economic Absorptive Capacity

Since 1922 the criterion for the regulation of immigration into Palestine has been the " economic capacity of the country at the time to absorb new arrivals."¹ But how is it possible to determine economic absorptive capacity? First and foremost the decision must depend upon whether the development of an agricultural or of an industrial country is envisaged. So far as the agricultural capacity of Palestine is concerned, no more need be said ; the subject has already been examined in the chapter on land settlement. But it is already clear that Palestine is not going to remain a purely agricultural country. For the Government " places its hopes for the future in the development of Palestinian industries."² Clearly, the more highly the country is industrialised, the larger the population which it can carry. " It is quite incorrect to believe that Jewish immigration is dependent on a market being already available ; it is before all things Jewish immigration that creates the home market and conquers the foreign market."³ On the other hand, it is clear that even though it has been decided to encourage the partial industrialisation of Palestine, the " optimum population " must still be a " complex product of many factors : the material assets of the country ; the energy and enterprise and skill of its inhabitants, including future immigrants ; the economic demand of the world at large for the economic assets which Palestine could offer ; and the general level of world prosperity, on which the extent and effectiveness of this demand would depend."⁴ The foreign market for oranges, grapefruit, and manufactures, the *entrepôt* trade in oil and other products, and the inflow of capital, religious gifts, tourist receipts, and *rentier* income are the vital factors affecting Palestine's economic future.⁵

(1) Statement in the Churchill Memorandum of that year. For text see Appendix II.

(2) Statement of the British Accredited Representative to the Permanent Mandates Commission, June, 1936, *Minutes of the Twenty-Ninth Session*, p. 156.

(3) Jewish Agency Memorandum quoted in the *Hope Simpson Report*, p. 114.

(4) Toynbee, *Survey of International Affairs, 1930*, p. 230.

(5) See below, pp. 69-74.

immigration
and
population

The immigration statistics must be considered in relation to the population of Palestine, and to its natural and total rate of increase.

POPULATION OF PALESTINE¹

Year	Total	Moslems	Jews	Christians	Others
1922 ²	752,048	589,177	83,790	71,464	7,617
1923	778,989	609,331	89,660	72,090	7,908
1924	804,962	627,660	94,945	74,094	8,263
1925	847,238	641,494	121,725	75,512	8,507
1926	898,902	663,613	150,040	76,467	8,782
1927	917,315	680,725	149,789	77,880	8,921
1928	935,951	695,280	151,656	79,812	9,203
1929	960,043	712,343	156,481	81,776	9,443
1930	992,559	733,149	164,796	84,986	9,628
1931 ²	1,035,821	759,712	164,610	91,398	10,101
1932	1,052,872	771,174	180,793	90,624	10,281
1933	1,104,884	789,980	209,207	95,165	10,532
1934	1,171,158	807,180	253,700	99,532	10,746
1935	1,261,082	826,457	320,358	103,371	10,896
1936	1,336,518	848,342	370,483	106,474	11,219

These figures represent official estimates for June 30 of each year except 1922 and 1931, in which two years a census provides complete statistics; they exclude members of His Majesty's Forces, but include the nomadic Beduin population (66,553 in 1931).

rapid
expansion of
population

It is estimated that between 1922 and 1936 the population of Palestine expanded from 752,048 to 1,336,578, representing an increase of 78 per cent., which is probably the highest rate of increase of any country in the world during the period. In absolute figures the non-Jewish increase (297,777) was slightly larger than the Jewish (286,693); but while the Moslem and Christian populations expanded by 44 per cent. and 49 per cent. respectively, the Jewish population increased by no less than 343 per cent. On the other hand, the remarkably high rate of natural increase of the Moslem population is in striking contrast both with its stationary character under the Ottoman régime and with the comparatively slow post-war expansion of the population of Transjordan.

Nevertheless, it is clear that the Jews were steadily gaining ground even before 1931; and since that date their position has advanced very rapidly. The Jewish population, estimated at

(1) Source: Government of Palestine, *General Monthly Bulletin of Current Statistics of Palestine*, September, 1936, p. 1.

(2) Census.

55,000 in 1918, is now approximately 370,000. The Jewish proportion of the population has risen from 11 per cent. in 1922 to 28 per cent. in 1936.

*Proportion
due to
Immigration*

At least 40 per cent.¹ of this remarkable increase in the population of Palestine in the past fifteen years is accounted for by immigration. In the case of the Jews, particularly since 1931, the proportion has been far higher. In the case of the Arabs, the expansion of population primarily represents a very rapid natural increase. For this there are three main reasons: (i) the cessation of conscription, which is said, under the Turkish régime, to have removed between 10,000 and 20,000 youths annually from the Arab villages²; (ii) the lower death rate due to the activities of the Public Health Department; and (iii) the stoppage of emigration due to the exclusion of Asiatics from Latin-American countries in recent years.³

*Authorised
Immigration*

That the Palestine Government's estimates of the country's economic absorbing power have varied considerably from year to year is clear from the statistics of authorised immigration between 1920 and 1935⁴:

Year	Recorded Immigration		Recorded Emigration	
	Jews	Non-Jews	Jews	Non-Jews
1920 (September-October)	5,514	202	*	*
1921	9,149	190	*	*
1922	7,844	284	1,451	1,348
1923	7,421	570	3,466	1,481
1924	12,856	697	507†	604†
1925	33,801	840	2,151	1,949
1926	13,081	829	7,365	2,064
1927	2,713	882	5,071	1,907
1928	2,178	908	2,168	954
1929	5,249	1,317	1,746	1,089
1930	4,944	1,489	1,679	1,324
1931	4,075	1,458	666	680
1932	9,553	1,736	*	*
1933	30,327	1,650	*	*
1934	42,359	1,784	*	*
1935	61,854	2,293 ⁵	396	387
1936 (January-August) ...	21,738	1,252	—	—

* No statistics of emigration by race were compiled.

† Figures for July to December.

(1) As compared with a rise in population of approximately 585,000, net immigration, as shown in the table above, amounted to about 230,000.

(2) *French Report*, p. 19.

(3) *Report of the Mandatory Power for 1930*, pp. 36-7; for 1933, p. 37.

(4) Sources: *Report of the Mandatory Power for 1936*, p. 214; and for 1936, Government of Palestine, *General Monthly Bulletin of Current Statistics*, September, 1936, p. 4.

(5) Of these, only 903 were Arabs.

Of these recorded immigrants, the great majority were persons authorised to enter the country as permanent residents. The remainder, who in 1935 numbered 3,804 Jews and 625 non-Jews, entered Palestine in the first place as travellers or by evading the frontier controls, but were subsequently registered as immigrants.

Legal
immigration

Apart from the authorised immigrants there is a considerable volume of illegal immigration. This reached its peak in 1933, and it was estimated that in the two years 1932-33 the number of unauthorised settlers rose to 22,400.¹ Two main classes of immigrant are involved: (i) those who evade the frontier controls; and (ii) a far larger number who enter the country as travellers and stay without regularising their position. In 1934 intensified efforts were made by the Government to check these developments, and on December 1, 1934, the High Commissioner claimed that the numbers in the first class had been materially reduced to less than 100 per month, whilst the numbers in the second class had been reduced by at least half.² Later statistics are now available covering the second class—the “travellers” staying beyond the period authorised:

NUMBER OF “TRAVELLERS” REMAINING ILLEGALLY IN PALESTINE.

	Jews	Non-Jews
1933 ³	10,376	2,653
1934 ⁴	2,907	3,022
1935 ⁴	4,618	3,256

The number of persons deported from Palestine in the past two years for immigration offences is as follows:

	Jews	Non-Jews	Total
1934 ⁵	772	1,635	2,407
1935 ⁶	293	2,152	2,445

Arab
immigration

It appears to be impossible to secure separate Arab statistics before 1935, as it was only in that year that the categories of “Jews, Arabs and others” were substituted for “Jews, Christians and Moslems.” Nevertheless, the figures for total authorised non-Jewish immigration and emigration are of considerable interest, since they show that until 1931 non-Jewish emigrants exceeded non-Jewish immigrants in every year except 1924. In subsequent years there has probably been a net balance of immigrants. But in the peak year, 1935, only 903 of 2,293

- (1) *Report of the Mandatory Power for 1933*, p. 15.
- (2) *Report of the Mandatory Power for 1934*, p. 11.
- (3) *Report of the Mandatory Power for 1933*, p. 34.
- (4) *Report of the Mandatory Power for 1935*, p. 49.
- (5) *Report of the Mandatory Power for 1934*, p. 44.
- (6) *Report of the Mandatory Power for 1935*, p. 50.

authorised non-Jewish immigrants were Arabs¹; moreover, as against these, some of the 387 non-Jewish emigrants in 1935 must have been Arabs.

Thus, amongst legal immigrants, non-Jews are completely out-numbered by Jews. In the case of illegal immigrants, the two categories are more nearly balanced. Indeed, in 1934 3,022 non-Jewish "travellers" remained illegally in Palestine as against 2,907 Jews, although in the following year the position was again reversed. Here again, however, many of the non-Jews are not Arabs. Of the 3,256 non-Jewish travellers who remained illegally in Palestine in 1935, only 1,662 were Arabs.²

As regards the other type of illegal immigrant—those who evade the frontier controls—it is impossible to give statistics. Some of these are certainly Jews, but it may be that the proportion of Arabs is higher in this category than in the other two.

It is frequently alleged that the Hauran, in Southern Syria, and Transjordan are important sources of Arab immigration. As regards the first, *La Syrie* published on August 12, 1934, an interview with the Governor of the Hauran, in which he stated that in the last few months 30,000 to 36,000 Hauranese had entered Palestine and settled there. Questioned on the subject before the Permanent Mandates Commission, the British Accredited Representative maintained that the figures "must be grossly exaggerated, because the Palestine Government had taken special measures on the eastern and north-eastern frontier with a view to keeping out undesirable people."³

At the same session a question was asked as to the number of Transjordanians who enter Palestine for seasonal work. As regards these, the official answer is that "no reliable statistics are available, but it is believed that few remain in Palestine permanently. Most seek to make a little capital in Palestine with which to return to Transjordan and assist their livelihood there."⁴

Since 1934 there has been a tendency, which has been exaggerated in some quarters, for cheap Arab labour to be imported into Palestine; no reliable figures are available.

From the statistics quoted above, it is evident that there have been two periods of intensive immigration, of which the first reached its peak in 1925 (31,000 net recorded) and the second in 1935 (63,000 net recorded). The first of these peaks was followed by an economic crisis which lasted until 1928. This crisis was definitely caused, according to the Shaw Com-

*Economic
Consequences
of
Immigration*

- (1) Many of the others were dependents of Army and Air Force officers.
- (2) Palestine, Department of Migration, *Annual Report*, 1935, p. 61.
- (3) *Minutes of the Twenty-Seventh Session*, p. 47.
- (4) *Report of the Mandatory Power, for 1935* p. 50.

mission, by immigration "in excess of the economic absorbing power of the country,"¹ which was also admitted by the Mandatory authorities to have been a contributory factor;² although it should be noted that a Jewish authority attributed the depression, not to the acceleration, but to the subsequent slowing down of the rate of middle-class immigration.³ In this latter connection an important factor was the collapse of the zloty and the imposition of currency restrictions in Poland and other Eastern European countries.

In the second peak period, which culminated in 1935, a far larger number of immigrants were admitted even than in 1924-6. Indeed, more than half of the Jewish immigrants into Palestine since 1919 have entered the country since the beginning of 1933. It might therefore have been expected that the economic structure would by now be showing still more serious signs of strain. In actual fact, however, the recent inflow has been accompanied by a wave of prosperity without parallel either in the previous history of Palestine or in the contemporary experience of the rest of the world.⁴ This apparent paradox can easily be understood if recent changes in (i) the origin, and (ii) the status of the Jewish immigrants are examined.

Jewish
Immigrant
Countries
Origin

260,000 Jewish immigrants entered Palestine between 1919 and the end of 1935, as against perhaps 30,000 to 35,000 emigrants. These immigrants came from the following countries:

JEWISH IMMIGRATION INTO PALESTINE. 1919-35. ⁵				
Nationality				
			Number	Per Cent.
Poland ...	...	...	110,000	42
U.S.S.R. ...	...	...	30,000	12
Germany ...	...	...	22,000	9
Rumania ...	...	...	13,000	5
Lithuania ...	...	...	9,000	3
Yemen ...	...	...	8,000	3
U.S.A. ...	...	...	8,000	3
Greece ...	...	...	6,000	3
Iraq ...	...	...	5,000	2
Latvia ...	...	...	4,000	1½
Czechoslovakia ...	...	...	3,500	1
Austria ...	...	...	3,500	1
Turkey ...	...	...	3,500	1
Others ...	...	...	34,500	13½
TOTAL ...	...	...	260,000	100

(1) *British White Paper*, Cmd. 3530, p. 106.

(2) Toynbee, *Survey of International Affairs*, 1930, p. 244.

(3) Stein, "The Development of the Jewish National Home in Palestine, 1918-1926," *Survey of International Affairs*, 1925, Vol. I, p. 373.

(4) It is true that this prosperity has not extended to the Arab hill peasants, who have suffered exceptional hardships in the past few years. But their difficulties have definitely not been caused by the increase in immigration. See below, pp. 75-76.

(5) Jewish Agency provisional figures given in *Palestine Economique*, special number of *Cahiers Juifs*, Paris, 1935, p. 119.

The predominance of these countries is largely explained by two main facts. In the first place, two-thirds of the world's Jews are to be found in Eastern and South-Eastern Europe. In 1914, out of an estimated world total of 14,900,000 Jews, just under 7,000,000 were in Russia (including present-day Poland and the Baltic States), 2,250,000 in Austria-Hungary and nearly 250,000 in Rumania; of the remainder nearly 3,000,000 were in the United States, about 600,000 in Germany, and about 500,000 in the British Empire, including 250,000 in Great Britain and Ireland.¹

In the second place, the "emancipated" Jews of the United States, France and Great Britain are rapidly becoming "assimilated," whereas the position of many Eastern European Jews was still further worsened by the general upheaval caused by the Great War and the consequent territorial changes. It is to these Eastern European Jews that Zionism naturally makes such a strong appeal.

POST-WAR JEWISH POPULATION OF EASTERN EUROPEAN COUNTRIES*

Poland	3,500,000
U.S.S.R.	3,000,000 (2,000,000 in the Ukraine)
Rumania	1,000,000
Hungary	500,000
Czechoslovakia	350,000
Austria	350,000
Lithuania	250,000
Latvia	100,000
Estonia	8,000

Except in one important respect, the percentage of immigrant coming from each country has not greatly varied with the years. Nearly half of the immigrants have always come from Poland but whereas in the earlier years the U.S.S.R. provided the second largest contingent, recently, owing partly to the difficulties created by the Soviet Government (for instance, £100 is demanded for permission for each adult emigrant to leave the country²), but still more to the anti-Semitic policy of the Nazi régime, the second place has regularly been taken by Germany; between January, 1933 and June, 1936, about 29,000 Jews came into

(1) *Encyclopædia Britannica*, (14th Edition, 1929) Vol. 13, p. 62.

(2) *Ibid.*, p. 61. Countries in order of Jewish population in 1935 were U.S.A., Poland, U.S.S.R., Rumania, Hungary, Germany, Czechoslovakia, Palestine.

Report of the Executive of the Jewish Agency, 1935, p. 61.

(3) *Jewish Agency Report*, 1935, p. 67.

Palestine from the Reich. The following table illustrates this change of source :¹

Country of Previous Abode	Percentage of Total			
	1922-29	1934	1935	1936 (8 months) ²
Poland ...	46	43	46	40
U.S.S.R. ...	20	—	1	—
Germany ...	—	16	14 ³	27
Rumania ...	6	5	6	5
Lithuania ...	5	3	3	3
U.S.A. ...	3	3	3	1
Others ...	20	30	27	24

Status of
migrants

The remarkable feature of recent immigration has been the wealth of the Jews entering the country. This is strikingly shown by the increasing number and proportion of Jewish immigrants with a capital of £P.1,000⁴ or more—and usually considerably more :⁵

Year	Number (excluding dependents)	Percentage of Total Jewish Immigration
Capital of at least £P.500 :		
1926	553	4
1927	139	5
1928	173	8
1929	207	4
Capital of at least £P.1,000 :		
1930	178	4
1931	233	6
1932	727	8
1933	3,250	11
1934	5,124	12
1935	6,309	10
1936 (8 months) ²	2,388	11

Approximately one-third of these wealthy immigrants were German Jews, 18 per cent of the immigrants from Germany in 1935 being "capitalists" with over £P1,000. The bulk of the remainder came from the United States (no less than 53 per cent of the U.S. immigrants in 1935) and Poland (4 per cent of the Polish immigrants in 1935).⁶ Some of those coming from Poland and other countries were German refugees.

(1) Palestine Department of Migration, *Annual Report*, 1935, p. 10.

(2) Government of Palestine : *General Monthly Bulletin of Current Statistics*, September, 1936, p. 5.

(3) "The number of immigrants arriving from Germany as their country of previous residence is 14 per cent. of the whole distribution, but only 10 per cent. of the immigrants claim Germany as their country of birth, and less than 9 per cent. claim Germany as their country of citizenship. The departmental records show that a proportion of immigrants from Germany were either born in Poland or were Polish citizens." Palestine Department of Migration, *Annual Report*, 1935, p. 23.

(4) The Palestine pound (£P.) is equivalent to the pound sterling.

(5) Palestine Department of Migration, *Annual Report*, 1935, p. 11.

(6) *Ibid.*, p. 73.

The total quantity of capital imported by immigrants into Palestine has been estimated at £10,000,000 in 1934¹ and £16,000,000 in 1935.²

*The Labour
Schedule*

“Capitalist” immigrants and their dependents³ account for nearly a quarter of the total immigration. Another quarter consists of dependents³ of Palestine residents. Practically the entire remainder are “persons coming to employment” and their dependents.³ Their numbers are determined by the Labour Schedule authorised by the Government for every six months—beginning April 1st and October 1st. The Labour Schedule represents the Government’s estimate of the country’s absorptive capacity, less its estimate of the likely volume of illegal immigration over the period.⁴ Once the Government has decided the total size of the Labour Schedule, the allocation of the great majority of immigration certificates is left to the Jewish Agency. This policy was criticized by the Shaw Commission on the ground that immigrants were selected by the Jewish Agency on political grounds.

Even during the exceptional immigration year of 1935 the Jewish Agency maintained that a far larger Labour Schedule was required in order to meet the unsatisfied demand for labour, as the following figures show:—

ESTIMATES OF ABSORPTIVE CAPACITY.

<i>Period</i>	<i>Jewish Agency's</i>	<i>Government's</i>	<i>Net Schedule less deductions</i>
Oct., 1933–March, 1934 ⁵	24,490	6,500	5,500
April–Sept., 1934 ⁵ ...	20,100	7,600	6,800
Oct., 1934–March, 1935 ⁵	18,600	9,700	7,500
April–Sept., 1935 ⁵ ...	19,160	10,800	8,000
Sept., 1935–March, 1935 ⁶	10,900		3,250
April–Sept., 1936 ⁷ ...	11,000		4,500
Oct., 1936–March, 1937 ⁸			1,800

(1) *Economic Conditions in Palestine*, Department of Overseas Trade Report, 1935, p. 77.

(2) Cohen, *Points about Palestine* (Zionist Federation of Great Britain), p. 9.

(3) The rise in the number of “dependents” has been a feature of recent Jewish immigration. In 1935 they represented 61 per cent. of the whole as against 52 per cent. in 1933. One reason for this is the growing practice on the part of both immigrants and Palestinian Jews of marrying outside Palestine and separating or divorcing on arrival.

(4) This policy has been criticized by the Permanent Mandates Commission, which “cannot but ask itself whether the effect of the Mandatory Power’s action in reducing in advance the authorised immigration quotas—in which express allowance is made for illicit immigration—has not been to render the prevention of such immigration more difficult.” *Minutes of the Twenty-Ninth Session*, p. 208.

(5) *Report of the Executive of the Jewish Agency*, 1935, p. 15.

(6) *Report of the Mandatory Power*, 1935, p. 48.

(7) *The Times*, May 19, 1936.

(8) *Hansard*, November 5, 1935, col. 251.

It is the increased entry of German Jews, and the consequent larger imports of capital into Palestine, that largely explain the paradox referred to earlier in this chapter—the fact that the inflow of immigrants in 1924-6 precipitated an economic crisis, whereas the recent inflow has caused an unprecedented trade boom.

The Trade
boom of
1932-5

The remarkable extent of this boom is shown clearly by various indices in the table overleaf. Government revenue more than doubled between 1931 and 1935, rising from £2.3 to £5.7 millions, thanks largely to the expansion in customs receipts. Expenditure meanwhile rose only from £2.4 to £4.2 millions, and on September 30, 1936, in spite of extra expenditure on defence since April of over £130,000 the Government still had a surplus of £6.2 millions.¹ The same story is told by the rise in the reserves and the note circulation of the Currency Board from £2.3 to £5.0 millions and from £2.3 to £4.7 millions respectively between the end of 1931 and the end of 1934. Solid justification for this currency expansion is provided by the doubling of railway goods traffic and the trebling of overseas shipping between 1931 and 1935. The consumption of electricity, as shown in the statistics given by the Palestine Electric Corporation, has expanded still more rapidly.

First and foremost the boom has been a building boom. It is estimated that £6 millions were invested in buildings in 1934, as compared with £2½ millions in agriculture and £1.1½ millions in industry.² In 1936, however, there were clear signs that the building boom had passed its peak.³ The demand for houses and other buildings since 1932 has sent land values soaring.

Expansion of
trade
deficit

But the most striking indices of all are the foreign trade figures. Both imports and exports nearly trebled between 1931 and 1935. But as the value of imports has always been three or four times that of exports from Palestine there has been a remarkable rise in the adverse balance of trade, from £4.3 millions in 1931 to £13.7 millions in 1935. Hitherto the trade deficit has presumably been covered by such "invisible exports"

(1) Government of Palestine, *General Monthly Bulletin of Statistics*, September, 1936, p. 24.

(2) "The Progress of Palestine," *Midland Bank Review*, November-December, 1935.

(3) The monthly average floor area of new buildings authorised in Jerusalem, Haifa, Jaffa and Tel-Aviv has been as follows:—

1931	...	...	...	27,000	sq. metres.
1932	...	...	...	27,000	" "
1933	...	...	...	58,000	" "
1934	...	...	...	76,000	" "
1935	...	...	...	1,214,000	" "
1935 (January-August)	...	...	...	901,829	" "
1936	"	"	"	541,095	" "

Government of Palestine, *General Monthly Bulletin of Statistics*, August, 1936, p. 28, and September, 1936, p. 28.

PALESTINE.

(Figures are in £P millions unless otherwise stated.)

	Imports	Exports	Import Surplus	Revenue	Expenditure	Surplus	Currency Board Reserves	Note and Coin Circulation	Railway Goods Traffic (in million ton kilometres)	Overseas Shipping Tonnage cleared (in millions)
								(End of year)		
1927	6.2	1.9	- 4.3	*	*	*	0.8	1.5	77	1.6
1928	6.8	1.5	- 5.3	2.6	3.4	-0.8	1.4	1.8	68	1.8
1929	7.2	1.6	- 5.6	2.3	2.1	-0.2	1.9	2.1	78	2.0
1930	7.0	1.9	- 5.1	2.4	2.6	+0.2	2.3	2.3	82	1.9
1931	5.9	1.6	- 4.3	2.3	2.4	+0.1	2.3	2.3	66	1.9
1932	7.8	2.4	- 5.4	3.0	2.5	-0.5	3.0	2.5	73	2.0
1933	11.1	2.6	- 8.5	4.0	2.7	+1.3	4.2	3.6	86	3.2
1934	15.1	3.2	-11.9	5.4	3.2	+2.2	5.0	4.7	103	4.2
1935	17.9	4.2	-13.7	5.7	4.2	+1.5	—	6.6	133	5.4
1935 (8 mths.)	11.6	3.4	- 8.2	—	—	—	—	—	—	—
1936 (8 mths.)	8.6	2.4	- 6.2	1.9 (6 mths.)	1.9 (6 mths.)	—	—	6.0 (Sept.)	—	—

* Figures available for 9 months only.

Sources : *League of Nations Statistical Year Book, 1935-36.*

Government of Palestine, General Monthly Bulletins of Statistics.

as religious subventions, tourist receipts, British Government expenditure and interest on foreign securities. But the huge recent deficits must obviously have been chiefly covered by imports of capital.

In the autumn of 1935 a definite check to the Palestine boom was caused by the tension in the Mediterranean arising out of the Italo-Abyssinian dispute. The disturbances since April 1936, and particularly the Arab strike, have caused more serious damage ; it is even said that " the country has been set back in its economic development for at least a couple of years."¹ The trade figures for the first eight months of 1936 show a pronounced decline in both imports and exports ; the latter is due chiefly to last season's poor citrus crops. Nevertheless there can be no doubt that the economic consequences of the recent burst of immigration were very different from those of 1924-25 expansion. So far from depressing the country, the recent immigrants stimulated its economic life to an unprecedented extent, and the reason for this is clearly the large volume of capital which they have brought with them. Indeed, from a purely economic standpoint, it would seem that a suspension at any rate of " capitalist " immigration would certainly be of no benefit to the country and might easily, if applied too suddenly, cause definite harm.

The reality of the boom cannot be doubted. The only questions that remain to be answered are : (i) Does it represent a healthy form of economic development which can be maintained ? (ii) Has it benefited every section of the population ? It is in affirmative answers to both these questions that the Government's recent immigration policy must find its economic justification.

as the
economic
development
is sound ?

In the normal course of events dependence upon such heavy imports of capital would be exceedingly dangerous, since these would involve a large addition to the external debt and a serious problem of future repayment. But the case of Palestine is unique, in that the great bulk of the capital imported is being provided by the immigrants themselves.

The rise in the import bill might also appear to be dangerous. But it should be noted that a great part of the expansion of imports consists of capital goods—notably building materials and machinery—which will not need replacing for some time ; moreover, immigrants from Germany are only allowed to transfer their capital on condition that goods of an equivalent value are exported from Germany to Palestine.

The rapid development of heavily protected industries—

(1) *Great Britain and the East*, September 17, 1936.

nearly one-quarter of the £6½ millions sunk in industry was invested in 1934¹—should gradually reduce the dependence upon some imported manufactures. On the other hand, it is clear that a larger population will require more imports; and it would be rash to count on a permanent stream of capital into the country with which to pay for these. Hence it is essential that the country should develop its export trade and other sources of foreign exchange.

*Exports of
Citrus
Fruits*

At present exports are dominated to a dangerous degree by citrus fruits, which regularly account for over 80 per cent. of the total value. Of these the bulk are Jaffa oranges, though the production of grapefruit, which matures more quickly and grows on heavier land, is being rapidly developed. It is interesting to note that the Arab orange groves are very nearly as extensive as the Jewish.

EXPORTS OF CITRUS FRUITS.²

(in thousand cases)

	1932	1933	1934	1935
Oranges	3,525	4,200	5,129	6,879
Grape-fruit	150	251	420	889

So far there have been no serious difficulties about marketing the increased export; the setback in 1936 was due to the prolonged sirocco of May 1935. But orange trees take some years to mature; and the serious problem created by the very extensive recent plantings is only just beginning to become evident. The orange crop is expected to rise by 2 million cases a year from the present 6 or 7 millions to something like 20 million cases in little over five years. Where will they be sold?

There are complaints that the United Kingdom, which takes two-thirds of the crop, gives no preference to Palestine produce, the duty on grape-fruit being particularly heavy. The difficulty is that, Palestine not being a colony, any preference given to her would have to be extended to every nation enjoying most-favoured-nation rights in their trade with Great Britain. Still greater obstacles are met with in Germany, which had been relied upon to provide a greatly expanded market. Germany's share of Palestine's citrus fruit exports fell from 24 per cent. in 1933-34 to 7 per cent. in 1934-35, owing largely to exchange regulations.³ On the other hand, a favourable factor for Palestine orange-growers in 1936 was to the Spanish Civil War. For Spain is Palestine's great rival in the production of oranges. For instance, up till 1935, in spite of Palestine's rapid advance, Spain regularly secured a clear half of the British orange market.

(1) D.O.T. Report on Palestine, 1935, p. 53.

(2) *Ibid.*, p. 44; *Report of the Mandatory Power for 1935*, p. 222.

(3) D.O.T. Report on Palestine, 1935, p. 49.

port of
manufactures

Apart from citrus fruits and small quantities of other agricultural products (e.g. melons), a wide range of local manufactures are exported on a modest scale, notably potash and bromine, soap, wearing apparel, artificial teeth, olive oil, other edible oils, and wine. The exploitation of the Dead Sea potash deposits by the Palestine Potash Company is of growing importance; the manufacture of soap is a traditional Arab industry. In recent years the export of local manufactures has remained more or less stationary at rather less than £500,000. The question is whether it can be expected to expand materially. This is evidently the hope of the Mandatory Power, which "fully appreciates the seriousness of the possibility" that the inflow of capital may cease, but "places its hopes for the future in the development of Palestinian industries."¹

There are certain favourable factors. Both management and labour can be of high quality in Palestine, and the country is well placed to compete in the considerable Near Eastern market. On the other hand, Palestinian costs are relatively high, and the markets of neighbouring countries are heavily protected. But perhaps the main difficulty with which Palestine is faced in the development of her trade is the Open Door provision in Article 18 of the Mandate, which prevents her from discriminating in her trade relations between States Members of the League. This excludes the possibility either of granting reciprocal trade concessions or of using the weapon of retaliation against such countries as Japan, which supply Palestine with a considerable quantity of produce, but take very little in return. It might seem that there is nothing to prevent discrimination against Japan, or indeed Germany, which are no longer Members of the League. On the other hand, it is uncertain whether Japan has not the legal right to claim economic equality in the Mandated territories as a Principal Allied and Associated Power. In any case, relations between Palestine and Japan are governed by the Anglo-Japanese Commercial Treaty of 1911, which contains the most-favoured-nation clause.

Palestine
as an
entrepôt

The expansion of Palestine's exports of citrus fruits and of manufactured goods is clearly essential. But of almost comparable importance is the restoration of her historic position as an *entrepôt*.² It has even been suggested that "Palestine's economic future depends on its development as a meeting-place of steamship lines, air routes, oil pipe lines and railways."³

(1) Statement to the Permanent Mandates Commission, *Minutes of Twenty-Ninth Session*, p. 156.

(2) Cf. the vivid discussion in Toynebee, *Survey of International Affairs*, 1934, pp. 263-6.

(3) *The Economist*, June 27, 1936.

A harbour for ocean steamers at Haifa—the third largest harbour in the Eastern Mediterranean—was opened on October 31, 1933; but, as ocean shipping calling at Palestine ports trebled between 1931 and 1935, there is already a demand for an expansion of the harbour at Haifa and the construction of a full-size port at Jaffa or Tel-Aviv. Palestine is traversed by railways connecting Egypt with Europe via Syria and Turkey. Gaza is used as a stopping place by both Imperial Airways and the Royal Dutch Air Lines in their Far Eastern service, and a new international aerodrome, more convenient for Palestine itself, is being constructed at Lydda. Oil is already arriving at Haifa from Iraq (the Iraq Petroleum Company's field at Kirkuk) through the pipe-line opened on January 22, 1935; and it will presumably also come eventually from the British Oil Development Company's concession in Mosul.¹ Even more significant is the authority secured by the Anglo-Iranian Oil Company to build a pipe-line across Palestine from its Khuzistan oil field in southern Iran. Finally, there is the desert-motor route from Haifa to Baghdad and on to Iran, which will presumably become of considerable importance when the road has been completed.

The importance of these developments is obvious; but from a strictly economic point of view it can easily be exaggerated. As sources of foreign exchange, capital imports, tourist receipts, income on foreign investments, religious gifts, and military expenditure, still more than the factors mentioned above, are likely to remain the vital "invisible exports" upon which Palestine will depend.

Has the Boom had any harmful effects?

Whether the country can stand the rapid economic development to which it has been subjected in recent years depends, therefore, upon the very considerable expansion of the market for her citrus and other exports and on the maintenance of her invisible exports: in particular, a sudden check to her imports of capital would cause serious difficulties. It remains to examine whether this development has been achieved without detriment to any sections of the population.

The demand for labour has caused Jewish wages to rise by as much as 40-50 per cent. in the building and allied industries, and by smaller amounts elsewhere. Arab wages have also

(1) The output of petroleum in Iraq has risen as follows:

1933	...	...	...	...	115,000	metric tons
1934	...	...	...	...	1,031,000	" "
1935	...	...	...	...	3,550,000	" "

This output passes through the pipe-line via its two branches to Haifa and to Tripolis (Syria); at present the quantities pumped through to each port are about equal.

increased in the building and some other trades.¹ As a result of the boom unemployment was virtually non-existent in 1934 and the early part of 1935; but in the autumn of that year the Italo-Abyssinian dispute caused some check to prosperity, and by the end of the year Jewish unemployment was estimated at 6,000; Arab unemployment had also increased, but no reliable statistics are available.² On the other hand Jewish immigration has caused a phenomenal rise in land values and also a rise in protective duties designed to assist local industries. As a result, rents and the prices of some commodities have been forced up.

The position has been far more serious in the rural areas, which included, both in 1922 and 1931, 60 per cent. of the total population, and a considerably higher proportion of the Arabs.³ "The prosperity of the country was not reflected in the rural population, and that applied to Jews and Arabs alike, both of whom were suffering as a result of four years drought. . . . The winter months and the early spring of the year 1934 found a large proportion of the fellahin in a state of destitution, approaching starvation in some cases, and their livestock dying in large numbers."⁴ The situation was particularly acute in the hill country, which is scarcely remarkable when the Director of Development's estimate of 130 dunums as the minimum holding of unirrigated land required to support an Arab cultivator and his family at a reasonable standard of living is compared with the actual holding in the (unirrigated) hill country of 88 dunums. In order to relieve the situation the Government was compelled for several years to remit taxes and to grant short-term loans for the purchase of seed. In 1935 circumstances took a definite turn for the better, but in 1936 agricultural taxes were again remitted in Southern Palestine.

The fundamental causes of these hardships were clearly the succession of droughts and bad harvests in 1931, 1932 and 1933, and the catastrophic fall in agricultural prices⁵ on top of the Arabs' permanent handicaps of capital shortage and heavy debts bearing a rate of interest of 30 per cent. or more. For these

(1) "The difference between Arab and Jewish rates in unskilled labour may be 100 per cent. or more, but in skilled labour is not nearly so great." D.O.T. Report, 1935, p. 77.

(2) *Report of the Mandatory Power, 1935*, p. 117.

(3) Only 18 per cent. of the Jews were in rural areas in 1922, and 27 per cent. in 1931.

(4) Statement by the British Accredited Representative to the Permanent Mandates Commission, 1934; *Minutes of the Twenty-Fifth Session*, pp. 14 and 18.

(5) The fall in prices was the more serious since the tithe had recently been commuted to a fixed money value.

factors the Jews cannot in any way be held responsible. Moreover, "the boom which Jewish activities in Palestine were now producing had manifestly relieved the pressure upon the Arab agricultural population by opening to it new urban markets as well as a more lucrative alternative field of employment."¹

In fact, on balance the immigration boom has probably slightly relieved the position of the rural population as well as considerably benefiting the urban workers.

But there are factors which mitigate the benefits. One thing which prevents the Arabs from appreciating the advantage derived from the country's greater prosperity is Zionist exclusiveness, both economic and cultural. Nor can prosperity alone be expected to appeal to Arabs as a final argument in favour of Jewish immigration :

"Prosperity and economic improvement are not everything of worth in life. There are other phases of life which are more dear to the Arab than money and gold. 'Man cannot live by bread alone,' said Jesus Christ. The Arabs appreciate and understand this golden saying. Their case could not and should not be discussed or argued as a case of 'bread and butter.' They desire to enjoy the right of every people to live in peace of mind as well as of body, now and in the future, in their own country, as seems best for them. They prefer to be destitute and poor, but independent and free, in their country, than prosperous and rich in a country which will in a few years time be theirs no more."²

(1) *Survey of International Affairs*, 1934, p. 276.

(2) Letter from E. A. Ghory in *The Observer*, October 4, 1936.

VII. THE WORKING OF THE MANDATE, 1931-6.

The social and economic facts set out in the preceding chapters throw light upon the subsequent history of the Mandate, and help to explain why, though comparative calm prevailed throughout the boom period, an underlying tension continued, manifested in the disturbances of 1933 and 1936. In the words of Sir Herbert Samuel: "Everyone in Palestine agrees that the economic development is astonishing; no one thinks that the political situation shows any appreciable improvement."¹

Progress
towards Self-
government

Nevertheless, by comparison with the turbulence of 1929, the next six years were a peaceful period. The High Commissioner endeavoured to "bring the two peoples of Palestine and the Administration into closer touch with each other,"² and succeeded in getting Jewish and Arab unofficial members to work together on the Agricultural Council, the Road and Railway Boards, the Labour Legislation Committee and the Standing Committee for Commerce and Industry, the co-operation being at its best among government officials, particularly among postal and railway employees.

A representative institution in the shape of the promised Legislative Council³ seemed as far away as ever, but the Mandatory began to work towards it along a new line of approach—municipal autonomy. In 1932 the High Commissioner announced to the Permanent Mandates Commission that the Council would be established "when the new Local Government Ordinance has been brought into working order . . . I hope . . . early in 1933."⁴ But owing to subsequent condemnation of the Ordinance by both Jewish and Arab bodies—partly as placing them in leading-strings and partly on old scores connected with national antagonisms—the Ordinance did not finally enter into force until January 12, 1934. The municipal elections, which had been due to be held in 1930, but which had been postponed because of the 1929 disturbances, were held during the year, and by the beginning of 1935 twenty newly-elected councils were in being, "wherein representative Palestinians of all communities and races might acquire training in the common management of public affairs under a modern code of municipal

(1) *Observer*, July 8, 1934.

(2) Statement to the Permanent Mandates Commission, December, 1932; *Minutes of the Twenty-Second Session*, p. 80.

(3) See Shaw Report Recommendations, p. 46 above.

(4) *Minutes of the Twenty-Second Session*, p. 82.

legislation."¹ Haifa and Tiberias were the places in which this worked first and most satisfactorily, and by June, 1935 a council composed of Arabs and Jews in equal numbers was operating in Jerusalem, owing, chiefly, to the moderation of the new mayor Dr. Khalidi, who had been elected in 1934.

*Relations
between Jew
and Arabs*

But the Jews and Arabs actively working for co-operation were few in number,² and there was plentiful evidence of continued high feeling. Perhaps the most reliable indication of this is the Government's security policy; between 1929 and 1936 it did not see fit to reduce either the garrison or the police forces.

The unrest took various forms; in August 1930 there was a minor Arab outbreak at Nablus, and the years 1930 and 1931 were marked by a series of terrorist murders of Jews. The rejection of the French Report on Development³ and the holding up of the entry into force of the Local Government Ordinance⁴ were in part due to mistrust of the Administration, but can also in fact be ascribed to racial feeling. The rank and file of the Arabs showed their animosity by resort to agrarian crime—the uprooting of trees, the wounding of cattle, and trespass in the form of squatting and grazing as a method of obstructing the sale of land to Jews. Arab scouts also patrolled the coast in order to defeat illegal immigration, claiming that the steps taken by the police to that end were designedly inadequate.⁵

*The
disturbances
of October,
1933*

The disturbances of October 1933 were the first serious manifestation of high feeling. The immediate cause of the riots, shooting and strikes which took place in that month "was the resolution of the Arab Executive calling upon the Arabs to hold demonstrations to protest against the policy of Government, the ground for which was prepared by a general feeling of apprehension amongst the Arabs engendered by the purchase of land by the Jews and by Jewish immigration."⁶ A vigorous campaign against immigration was launched in the Arab press, and "Arab spokesmen found material to hand in press reports of arrivals of Jewish immigrants at the ports; the Jewish press displayed no reticence in the publication of this kind of news,

(1) *Report of the Mandatory Power for 1934*, p. 7.

(2) The best known Jewish group was the *British Shalom* or Covenant of Peace, a group of intellectuals and younger men inspired by the ideas of the Chancellor of Jerusalem Hebrew University.

(3) See above p. 58.

(4) See above p. 77.

(5) For these and other instances see the "Public Security" chapters of the *Reports of the Mandatory Power* for the years 1931-5.

(6) *Report of the Murison-Trusted Commission of Enquiry*, published as a supplement to *Palestine Gazette*, February 7, 1934, p. 104.

and at the Zionist Congress at Prague immigration was discussed in such terms as to inspire alarm in the minds of the Arab population."¹ The result was the declaration by the Arab Executive of a general strike on Friday, October 13; subsequent rioting, which was confined to urban Arabs, took place in Jaffa, Jerusalem, Haifa and Nablus. But the Administration proclaimed emergency measures under the Palestine Defence Order in Council of 1931, and the disturbances never assumed the dimensions of the 1929 disorders. Nevertheless, they constitute a milestone, for they were for the first time a manifestation of Arab feeling against the Government as well as against the Jews. The cause of this seems to have been despair in face of what the Arabs regarded as the entrenched Jewish influence in London, of which they saw evidence in the White Paper controversy and in the MacDonald letter of 1931.²

The history of 1934 provides good evidence of the difficulties with which the Administration is faced in framing its immigration policy. In the first months of the year, adjusting supply to demand, it drastically cut down the number of Jewish labour immigration permits asked for by the Jewish Agency; the step occasioned protests and strikes amongst the Jewish communities. In December, an Arab delegation to the High Commissioner submitted that sales of land to Jews and Jewish immigration had reached such an extent as to be contrary to the promises to preserve Arab rights given in the Mandate. The High Commissioner (Sir Arthur Wauchope) replied with a statement that the Government's policy was to increase the productivity of the country and that Jewish immigration (36,000 in ten months) was not excessive. At the same time he announced that the concession for draining some 40,000 dunums in the Huleh basin had been transferred from the original Arab concessionaires (who had obtained it before the War) to a Jewish group which had agreed to increase the area reserved for Arab settlement from the 9,200 dunums under the old concession to 15,000 dunums.

Arab unrest
335

Throughout 1935 the Arabs showed restlessness and dissatisfaction, a chief indication of this being the tendency of the parties to crystallise,³ and to combine in the interests of making strong representations. Inflammatory articles appeared in the press, and in November, 1935, following an arms-smuggling incident at Jaffa, all the Arab leaders united to present a memorandum to the Administration calling for :

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- (1) *Report of the Mandatory Power for 1933*, p. 5.
 - (2) See above pp. 54-58.
 - (3) Cf. above p. 29.

1. The establishment of democratic government ;
2. Prohibition of the transfer of land to Jews and the enactment of a law similar to the Five Feddan Law in Egypt ;¹
3. (a) The immediate cessation of Jewish immigration and the formation of a competent committee to determine the absorptive capacity of the country and to lay down a principle for immigration ;
- (b) Legislation to require all lawful residents to obtain and carry identity cards ;
- (c) Immediate and effective investigation into illicit immigration.

*Proposal of
a new Con-
stitution
1935*

In the meantime, the Administration had been making some progress with a proposal for the promised Legislative Council. The High Commissioner had announced in December 1934 that he would shortly be ready to discuss the matter with the leaders of the various parties. In December 1935 he judged that the municipal councils were working well enough to warrant the next step. He therefore communicated to the Jewish and Arab leaders respectively a new constitution representing a practical step towards representative institutions.² The proposal was for a Legislative Council with a large unofficial majority ; the twenty-eight members were to be made up as follows : 5 officials, 2 commercial representatives, 8 elected and 3 nominated Moslems, 3 elected and 4 nominated Jews, and 1 elected and 2 nominated Christians, plus an impartial president from outside Palestine who would neither debate nor vote. But, just as happened in 1929, the outbreak of serious trouble was once again to cause the postponement of further progress towards self-government.

*British reply
to the Arabs
1936*

On February 1, 1936, the Colonial Office, through the mouth of the High Commissioner, replied to the Arab demands of the previous November : (i) that its offer of a new constitution made in December, 1935 represented a practical step towards democratic government in that it proposed a Legislative Council with a large unofficial majority ; (ii) that as regards sales of land, it intended to enact a law prohibiting these unless the Arab landowner retained a "viable minimum"—i.e. sufficient land to afford a means of subsistence to himself and his family ; and (iii) that the rate of Jewish immigration was carefully gauged according to the country's capacity, and that a new Statistical Bureau was being established for estimating this.

*Reception of
the proposed
Constitution
1936*

The views on this reply were various. Those of the Arab leaders differed ; some, and notably Dr. Khalidi, the Mayor of Jerusalem whose moderation has already been mentioned, were for adopting a policy of co-operation without racial bias,

(1) Lord Kitchener's Homestead Exemption Law of 1912, which gave the small cultivator protection against expropriation for debt.

(2) Published as a *British White Paper*, Cmd. 5119, in March, 1936.

and for accepting the proposed Legislative Council ; others demanded drastic alterations in the plan, contending that it was farcical to describe as democratic a document which left such excessive powers to the High Commissioner.

The Jews were unanimous in condemning the proposed constitution and the Government's reply to the Arabs. An influential delegation protested in London, and the Jewish Agency issued a memorandum on the subject. The gist of their argument was that the proposed Arab majority on the Council precluded the establishment of the promised National Home, and that the suggested "interference" with the free disposal of land by its owner was an infraction of the clause in the Mandate which bound the British Government to encourage Jewish land settlement. The non-Zionist Jews of Palestine, through the mouth of the spokesman of the Agudath Israel, expressed equal disapproval of the scheme.

The question aroused feeling in England ; it was discussed in debates in the House of Lords on February 28 and the House of Commons on March 25, 1936 ; considerable opposition was manifested, and the Secretary of State for the Colonies (Mr. J. H. Thomas) was forced to defend the High Commissioner against criticism levelled from all sides of the House. One of the chief points made in his reply was that the Council would have very limited powers ; it would not, for instance, be permitted to discuss the Mandate or the Jewish Agency or to interfere with immigration. He contended that the representation proposed on the Council was fair in proportion to the population of 825,000 Moslems, 100,000 Christians and 320,000 Jews.

The proposal was also criticised at the meeting of the Permanent Mandates Commission in June, 1936, disapproval being expressed in particular by M. Rappard and Lord Lugard. The latter viewed as "extremely inadvisable" and as "a fertile source of friction" a system in which the majority was unable to enforce a majority decision, and did not control the executive staff.¹

ring
r unrest

The debates in the two Houses of Parliament in February and March, 1936, had caused a new wave of despair among the Arabs, who saw in them fresh evidence of Jewish influence in London, and proof that the self-governing institutions for which they were asking were as far away as ever. Until this feeling was manifested in open disorder, its extent was little realised in Great Britain. The visit to London of the Arab delegation invited by the British Government to discuss the Legislative

(1) *Minutes of the Twenty-Ninth Session*, p. 145.

Council proposal never materialised on account of the outbreak of the disturbances.

*The course of
the disturbances
1938*

The actual disorders had their beginning in a hold-up of Jews by Arabs on the road from Nablus to Tulkarm on April 15. A Greek Jewish immigrant was killed, and his funeral was the occasion of more serious riots in Jaffa and Tel-Aviv.¹ Curfew regulations were imposed in both towns and an emergency decree was issued prohibiting dealings in arms, ammunition and explosives.

By the end of the month it was clear that the trouble was of more than normal dimensions. On April 26 the Arab party leaders met and united to form a Higher Arab Committee and once more formulated the demands issued in the previous November.² A strike committee was set up; a general strike was declared, and a series of local committees—an important new development³—representing Arab views all over the country, gave the Higher Arab Committee authority to maintain this strike pending the granting of the demands.

The strike, which began among shopkeepers in Jaffa and Jerusalem, soon spread to the ports and to other Arab workers, and before long it was impossible to retain any illusion that it was confined to the leaders, or to a few extremists; the other towns were soon affected, and then the country districts, until by May 20 disorder was general throughout the country. Peasant cultivators inaugurated sabotage, and attacks on troops and police and on Jewish colonies, while small organised bands carried on a guerilla warfare from the hills. The prohibition of the sale of arms does not seem seriously to have affected Arab supplies, for the damage was done with pre-war and war rifles which had never been surrendered, and with arms acquired during the summer by gun-running from Transjordan.

On May 11, at the request of Sir Arthur Wauchop, a battalion of the Royal Scots Fusiliers arrived from Egypt, the beginning of a steady stream of reinforcements from Egypt and Malta, which continued throughout June and July. But the presence of the troops and the action of the Government in extending the curfew, imposing collective fines, interning Arab agitators in concentration camps and taking other emergency measures were alike unsuccessful in restoring order. Reports of acts of violence

(1) The High Commissioner's official communiqué regarding the events of April 19 runs as follows:—"Owing to false rumours, which were at once officially contradicted, that Arabs had been killed, crowds assembled about 11 o'clock in the Manshia quarter of Jaffa, and disturbances arose, in the course of which several attacks were made upon Jews."

(2) See above pp. 79-80.

(3) See above p. 29.

against the Jews and the police, of the destruction of crops and property, the cutting of telegraph wires, the blowing-up of railway tracks and bridges, and the ambushing of trains and car convoys succeeded each other almost daily.

There was a lull in hostilities at the beginning of August, but after a week of comparative calm the situation deteriorated again. Towards the middle of August came the first reports of acts of reprisals by Jews, but these were by comparison few and quickly checked; indeed, the Mandatory publicly acknowledged the self-restraint of the Jewish population, giving concrete evidence of this in its decision to enrol 2,800 Jews as supernumerary constables, and in its issue of a number of licences for rifles in addition to the supplies in the sealed armouries which it had for some years past permitted in Jewish settlements.

Against this background of disorder negotiations for a settlement were carried on. Sir Arthur Wauchope, who had already on May 6 appealed unsuccessfully to the Arab Strike Committee to help the Government in maintaining order, interviewed the leaders again on May 15; it was subsequently learnt that he had stated that, if the strike were stopped, a Royal Commission would be set up to examine the conditions in Palestine and enquire into Arab and Jewish grievances. In their reply the Arabs stated that from past experience they had no confidence in a new enquiry.¹ They would continue the strike until Jewish immigration was suspended. This the High Commissioner refused to do, and on May 18 a Labour Schedule of 4,500 immigrants for the next half year was approved. The negotiations thus early reached a deadlock, the Arabs insisting on the stoppage of immigration before the strike was called off, the Government making all inquiry into the question of immigration dependent on the restoration of law and order.

¹⁸
g
Arabs
classes

Attempts to solve the dilemma were not confined to the discussions between the High Commissioner and the Arab Strike Committee. On June 30, a memorandum was submitted to Sir Arthur Wauchope, signed by 137 Arab Government officials, including all the senior members of the Judiciary and the Administration. It stated that the Arab population had been driven into a state bordering on despair, and that this feeling was largely traceable to loss of faith in official pledges and alarm at the extent to which the British Government had given way to Zionist pressure. The signatories believed that the Arabs' complaint under this head was substantially justified. The

(1) For some years past Arab spokesmen have been at pains to point out that the British Government has appointed no less than six commissions of enquiry but that little or no action has been taken on their findings.

unrest could not be crushed by force, and the document recommended the stoppage of immigration as the only fair, humane and honourable solution.

*British
Government
Action*

Judging by the statements on Palestine made by the Government in the House of Commons during the summer, it would seem that the British authorities for some time ignored or discounted the determination which was inspiring all sections of the Arab population, and remained hopeful that the trouble would die down. In reply to a question on May 18, the Secretary of State for the Colonies (Mr. J. H. Thomas) stated that the Government had decided that the suggested Arab delegation to London would no longer meet the case. The Government had therefore decided, as soon as order was restored, to appoint a Royal Commission which, without bringing into question the terms of the Mandate, would investigate the causes of unrest. Again on June 16 and 20, and on July 2, it was emphasised that the Commission would not be sent till all was quiet. On July 22, in answer to a question on Jewish immigration, the Secretary of State for the Colonies (now Mr. Ormsby-Gore) announced that there could be no change of policy until the Royal Commission's report was issued, but added:

"As regards, however, the suggestion that there should be a temporary suspension of immigration while the Commission is carrying out its enquiry, I am not at present in a position to make any statement as to the intentions of the Government."

The names of the members of the Royal Commission¹ were announced on July 29; its terms of reference, announced simultaneously, were as follows:

"To ascertain the underlying causes of the disturbances which broke out in Palestine in the middle of April; to inquire into the manner in which the Mandate for Palestine is being implemented in relation to the obligations of the Mandatory towards the Arabs and the Jews respectively; and to ascertain whether, upon a proper construction of the terms of the Mandate, either the Arabs or the Jews have any legitimate grievances upon account of the way in which the Mandate has been, or is being, implemented; and if the Commission is satisfied that any such grievances are well founded, to make recommendations for their removal and for the prevention of their recurrence."*

These various items of news were received without enthusiasm in Palestine. Arab feeling had gone too far to be checked by anything less than an announcement of the cessation of immigration; the Jews were apprehensive at what they regarded as a

(1) The Right Hon. Earl Peel, G.C.S.I., G.B.E. The Right Hon. Sir Horace Rumbold, Bt., G.C.B., G.C.M.G., M.V.O. Sir Laurie Hammond, K.C.S.I., C.B.E. Sir Morris Carter, C.B.E. Sir Harold Morris, M.B.E., K.C. Professor Reginald Coupland, C.I.E.

(2) *The Times*, July 30, 1936.

concession to Arab fears and Arab violence, and feared that the guarded reply with reference to immigration during the Commission's sittings foreshadowed unwelcome restrictions.

ization of
b States

One of the most serious aspects of the trouble was the possibility that it would inflame feeling elsewhere in the Moslem world. The increasing consciousness of the bond between the Arabs in the states of the Near East is evident from the efforts at mediation made by all neighbouring Arab rulers.

On June 6 the Emir of Transjordan invited the Arab Higher Committee to a meeting at Amman. When questioned as to whether they were in a position to stop the disorders if they wished, the Arab leaders replied that this would only be possible if certain definite concessions could be promised. The minimum was the suspension of Jewish immigration during the period of the Royal Commission's enquiry.

On August 7 the Emir again invited the Arab leaders to Amman and endeavoured to persuade them to call off the strike, urging the probability that this would be followed by a gesture on the part of the British Government respecting immigration. The Arab Committee stated that they were summoning a congress of town committees to discuss the situation, but fresh outbursts of violence which followed showed that the extremists were not willing to accept this proposal.

On August 30 the Arab Higher Committee unanimously accepted the intervention of the King of Iraq—a move initiated, it is said, by the King of Saudi Arabia¹ and the Imam of the Yemen. The Palestinian Arabs welcomed this general interest; they felt that they were calling in the Moslem world to redress a balance which they had long felt to be unfair. The negotiations were placed in the hands of General Nuri Pasha es-Said Foreign Minister of Iraq.

The exact proposals made by Nuri Pasha were never known, but for several days the Palestine press was full of rumours. The Arabs were optimistic as to the outcome of the negotiations and believed that the British Government would concede to Nuri Pasha what it had hitherto withheld, and that a suspension of Jewish immigration was at hand. There was a widespread belief that, following a proclamation by the Arab Kings, the strike would be called off in the next few days, although the announcement on August 30 in which the intervention of Iraq had been welcomed contained the words: "In the meantime the

(1) This seems likely from the statement made in the British Government's statement of policy of September 8, 1936, (see below, p. 87), that he had offered to "use his good offices."

country will continue the strike with the same steadfastness and conviction as heretofore."

The elation of the Arabs was reflected in a corresponding depression among the Jews, many of whom believed that the Government's resistance to the Arab demands had been broken and that Nuri Pasha had British approval for the proposals he was making. So strong was this feeling that on September 1 Dr. Weizmann sent a letter to the Secretary of State for the Colonies enclosing a report from the *Palestine Post* containing the terms alleged to have been accepted by the High Commissioner.

But during the interval of awaiting the reply, two incidents took place which prejudiced the attempts of the moderate Arabs to reach a settlement. Firstly, the Arab Higher Committee met on September 2 to discuss whether the country should be consulted, through the local committees, on the subject of Nuri Pasha's proposals; it decided to postpone calling the Congress of National Committees—a body which would have formed, as it were, the Parliament from which the Higher Arab Committee derived its authority—until it had received confirmation of Nuri Pasha's authority to mediate, and, pending this, it issued a proclamation exhorting continuance of the strike. Secondly, on September 3 one of the most serious encounters of the whole campaign took place between Arabs and British troops near Tulkarm. Most of the Arabs killed in this engagement were from Syria and Transjordan, and there were rumours, subsequently confirmed, that the well-known Syrian revolutionary Fawzi Kawkji¹ had transferred his activities to Palestine.

These events foreshadowed two shattering blows to Arab hopes which followed in the next few days. The first was the publication of Mr. Ormsby-Gore's reply to Dr. Weizmann stating not only that the alleged terms had never been accepted by the High Commissioner or by the Government, but also that Nur Pasha had not been authorised to give any assurances regarding the suspension of immigration; the second was the report of the cancelling of the manœuvres of the First Division, followed, on September 4, by the announcement from the War Office that

(1) Fawzi el-Din Kawkji is a Syrian who served with distinction in the Turkish Army during the Great War. After the French occupation of Syria he entered the French service as intelligence officer and was decorated with the *Légion d'Honneur*, but on the outbreak of the Druze Revolt he joined the rebels. He was sentenced to death by the French authorities, but when the revolt was finally crushed he escaped to the Hejaz and became military adviser to King Ibn Saud. Later he obtained a commission in the Iraqi Army, being appointed instructor at the Iraq Staff College. He resigned his commission in the summer of 1936.

the Government had under consideration the question of reinforcing the military garrison in Palestine. The division in question was despatched during the third week in September.

On September 8 the British Government issued a Statement of Policy.¹ This, after describing the course of the disturbances, gave its reasons for sending the reinforcements. It was stated that "all efforts to introduce a reasonable spirit of accommodation" had hitherto failed, and that the discussions initiated by Nuri Pasha had led to no satisfactory result; the Arab determination to continue the strike pending the stoppage of immigration, together with the continued outrages, had rendered the use of force inevitable. The statement also referred to the British aim of maintaining relations of friendship and confidence with the Moslem peoples. It reiterated the affirmation made to the League in 1930 that Great Britain viewed her obligations to the two sections of the population as "of equal weight," and that she felt the two obligations to be "in no sense irreconcilable."

*the decision
and strike*

The Arab leaders were in a quandary. The strike had not achieved its objective, yet it was obviously useless to continue it in the face of overwhelming force. They decided to consult the country on the issue and summoned the postponed Congress of National Committees for September 17, meanwhile issuing a proclamation protesting against the British Statement of Policy. But the Government prohibited any joint meeting of the Congress, stipulating that the local meetings must confer individually; this they did. The period of consultation gave prominence to a sentiment which had been cherished by most Arabs throughout the strike. Both "the Arabs who understand what it will mean to go forward . . . and the common people always return to the same point and ask: 'Can we trust the Government to implement the findings of the Royal Commission, if they should be in our favour, when on so many previous occasions results favourable to us have been set aside?' It is unfortunate that confidence in the British sense of fair play should have been so undermined."²

The strike, which is remarkable amongst other things for the length of time the Arabs held together, was called off on October 12. This decision was due to three main factors—one military, one economic and one political.

*Military
or*

The most important consequence of the strengthening of the British force in Palestine from under 10,000 to nearly 30,000 was that the military authorities were enabled to adopt an

(1) *The Times*, September 8, 1936.

(2) Jerusalem correspondent in *The Times*, September 17, 1936.

offensive as well as a purely defensive policy. This was immediately apparent; the first reinforcements arrived on September 24, and on September 25 the first offensive action against Arabs was taken. Moreover, although martial law was never actually declared, the Palestine Martial Law (Defence) Order in Council issued on September 29 authorised the High Commissioner to make any regulations which he might consider necessary for public safety, or to delegate such powers to the G.O.C. Palestine Forces. In fact, it was made quite clear that any further Arab terrorism would be forcibly suppressed.¹

*The
Economic
Factor*

But a no less urgent incentive prompting the Arab leaders was provided by the growing restlessness of the Arab rank and file at the economic hardships caused by the strike. This became particularly evident with the approach of the orange export season, which normally opens in November. Even if the strike was officially prolonged, it was clear that many Arabs would be unable to resist the prospect of an excellent orange season made probable by the civil war in Spain, the chief rival producer.

*The
Political
Factor*

In fact, the one thing needed was an excuse for ending the strike in spite of failure to secure its proclaimed object—the cessation of Jewish immigration. This excuse was opportunely provided by the continued attempts at mediation on the part of the Arab kings. On October 11 an appeal to the Arabs of Palestine from the rulers of Iraq, Saudi Arabia, Transjordan and the Yemen was published as follows:

“Through the President of the Arab Higher Committee to our sons the Arabs of Palestine:—

We have been deeply pained by the present state of affairs in Palestine. For this reason we have agreed with our Brothers the Kings and the Emir to call upon you to resolve for peace in order to save further shedding of blood. In doing this, we rely on the good intentions of our friend Great Britain, who has declared that she will do justice. You must be confident that we will continue our efforts to assist you.”²

The Arab Higher Committee published with the message a manifesto stating that the “noble Arab nation in Palestine” had carried on the strike because of the dangers which beset

(1) The figures for total casualties up to October 15 were announced as follows in the House of Commons on October 29, 1936:—

Civilians:—Moslems, 955, including 187 deaths; Jews, 388, including 80 deaths; Christians, 65, including 10 deaths.

Navy, Army and Air Force—British, 125, including 21 deaths.

Palestine Police and Transjordan Frontier Force—British, 47, including 10 deaths; Palestinians, 49 Moslems, including 8 deaths; 13 Christians (wounded) 9 Jews, including 1 death.” The known Arab deaths recorded above are certainly less than the total number killed; this has been estimated at 800.

(2) *The Times*, October 12, 1936. In the appeal from the King of Iraq the word “ally” is substituted for “friend.”

it as the result of British policy. The Committee believed, however, that the Arab rulers would not have bidden their sons to abandon that struggle unless they believed that it was in their interest to do so. Realising, therefore, "the great benefit to accrue from their intervention and support" it called upon the community to comply with these orders which had no aim except the welfare of the Arabs.

With the calling-off of the strike, the tension in Palestine visibly relaxed. Isolated sniping still occurred, but there were few further large-scale acts of terrorism. Under the guise of manœuvres British troops closed in on Fawzi Kawkji's armed band and drove him over the Transjordan frontier.

departure of
Royal
Commission

The improvement in the situation was regarded as sufficient to justify the departure of the Royal Commission for Palestine on November 5. On the same day it was announced in the House of Commons that the Government had rejected on economic grounds, and as likely to prejudice the work of the Royal Commission, the view that immigration should be suspended. The Government had therefore accepted the High Commissioner's recommendation that the labour schedule for the six months to come should be fixed at 1,850, as compared with 4,500 in the previous April. The Higher Arab Committee saw in this decision the defeat of its objective, and accordingly decided to boycott the Royal Commission. At the time of writing, therefore, the deadlock as between Jewish and Arab demands remains.

VIII. INTERNATIONAL ASPECTS OF THE PROBLEM.

A statement was made in the introduction of this paper that, though some observers have tended to attribute the 1936 disorders to foreign influence, this was not the fundamental cause, and that "any intervention from abroad was mere fishing in troubled waters."

*New element
in 1936*

The details in the body of the memorandum should make it clear that the domestic problem amply explains the trouble—but there is one new element which distinguishes the 1936 disturbances from those of the earlier years and which may perhaps be put down to outside influences—namely, the stiffened nature of the Arab resistance.

*Effect of
Italo-
Abyssinian
Dispute*

The Mandatory Power stated in its Report for 1935 that "a certain restlessness was engendered by the Italo-Abyssinian war."¹ This restlessness was common to all the Near Eastern States, as they watched with interest a clash between an European and a non-European people. Further, the comments in the vernacular press of the Arabic-speaking world on the more general aspects of the dispute make it clear that a number of new convictions were instilled by the failure of the League's attempt, led by the British Government, to stop the Italian aggression.

*Foreign
Propaganda*

The fact that the Arab resistance crystallised at a moment when Great Britain was busy with other complications provoked considerable comment in the British press, and there were statements and insinuations that the trouble had been directly fostered by foreign Powers.² Questioned on the subject in the Permanent Mandates Commission in June 1936, the British Accredited Representative did not reply,³ but the question was doubtless taken as referring to 1936, on the subject of which there was no call to do so. Arab representatives deny the allegations.⁴ So do the Italians; the *Giornale d'Italia* put down the Arab agitation "neither to the Abyssinian dispute nor to events in Europe, but to a situation which began to develop during the European war and which is due to the then British policy" which, as a result of promises to both Arabs and Jews, "juxtaposed two contrasting and unassimilable races who hate one another and can never collaborate."

(1) p. 5.

(2) See e.g. *The Times*, May 26, 1936.

(3) *Minutes of the 29th Session (May-June, 1936)*, p. 70.

(4) See Emile Ghory, "An Arab View of the Situation in Palestine," *International Affairs*, September-October, 1936, p. 692. "The disturbances in Palestine are not fomented by any foreign propaganda, and they have no foreign finance."

But this does not mean that there were no foreign factors at work. For instance,² a detailed report in the *New York Times* of June 4 gave some "carefully verified extracts" from Italian broadcasts delivered in Arabic from the wireless station at Bari, one of which "would advise every Arab to understand how to get rid of the British incubus." The same paper reported that these talks grew less violent following a protest by the British Ambassador in Rome.

Arabs from abroad also contributed arms and recruits,¹ not to mention expert leadership in the person of Fawzi Kawkji, whose escape over the Palestinian frontier "with honour and without surrender" probably spared the Government an awkward arrest.³

Effect of the
emancipation of
neighbouring
States

But a far more potent factor than the influence of foreigners or broadcasts is the constantly recurring news of the emancipation of neighbouring States. The Palestinian Arabs attribute the enviable independence of Transjordan to the absence of the Jews; they have witnessed the British treaty with the Emir in 1928,⁴ that with Iraq—"the least mature of all the Arabic-speaking Mandated Territories"⁴—in 1931, and that with Egypt in 1936. But the treaty which drives the contrast home most bitterly is, perhaps, that of September 9, 1936, between France and the neighbouring Mandated Territory of Syria. The Palestinian Arabs do not feel that the events of the last few years in Syria⁵ justify so marked a differentiation from themselves, or that a country is ready for self-government when the signing of the treaty is accompanied by the despatch of reinforcements.⁶

The following statement by a Palestinian Arab reflects the repercussions of the recent treaty-making and the consequent despair:—

"When does the minor become of age? That is not shown. Unless the Mandate is intended to make the minor remain a minor, I do not see why that provision was not put in. Syria has passed that age; Iraq has passed that age; Transjordan has grown up to that age, but Palestine does not seem to be getting anywhere."⁷

(1) See above, pp. 82 and 86.

(2) For further details, see "An Arab Leader got rid of," *The Times*, October 27, 1936; *Daily Telegraph*, October 22, 1936; *Daily Herald*, October 29, 1936.

(3) See above, pp. 20-21.

(4) Toynbee, *Survey of International Affairs for 1934*, p. 285.

(5) See *Survey of International Affairs, 1934*, pp. 284-301; see also an article in *L'Europe Nouvelle*, September 12, 1936, which argues that recent events have proved "qu' à Damascus, jusqu' à ce jour, les institutions occidentales n'avaient été assimilées ni par les dirigeants ni par la masse."

(6) For details of the French reinforcements sent to Syria, see *The Times*, September 11, 1936.

(7) Emile Ghory, "An Arab View of the Situation in Palestine," *International Affairs*, September-October, 1936, p. 688.

It is doubtless for fear lest this despair should react back upon the other Arab States that the neighbouring Arab rulers of Iraq and Saudi Arabia, Transjordan and the Yemen have been at such pains to bring the Palestinian trouble to an end.

*Foreign
pressure
upon the
Mandatory*

Nor are the Arab States the only outside Powers to take a personal interest in the policy framed by the Mandatory. They press the claims of the Arabs, but other foreign States are almost equally insistent upon the claims of the Jews; of these Poland is perhaps the chief. At the 1936 Assembly of the League of Nations the Polish delegate, after referring to the 3,000,000 Jews in Poland for whom emigration was the best hope of a higher standard of living, "trusted" that the Mandatory would not find it necessary to suspend immigration into Palestine—a view in which he was supported by other Eastern European States.¹ Of almost equal importance is a view expressed on February 1, 1936, by the President of the United States of America in a message of greeting to the National Conference for Palestine which had met "to mobilize American Jewry behind a constructive effort to further the rebuilding of the Jewish homeland in Palestine." The President said:

" . . . The American people, which has, by the action of Presidents and a Joint Resolution of Congress, attested its sympathy with the great purposes of a national Jewish home in Palestine will, I am persuaded, be ready to co-operate generously with the United Palestine Appeal which aims to provide a home for the homeless Jews. . . ."²

In fact, no step can be taken by the Mandatory without repercussions over a wide and varied field.

(1) See League of Nations, Seventeenth Assembly, *Minutes of the Sixth Committee*, Fifth meeting, October 6, 1936. See also Melchett, "European Jewry: the Polish Problem," *Spectator*, November 13, 1936.

(2) *New York Times*, February 2, 1936.

IX. CONCLUSION.

The ingredients of the present trouble in Palestine are some old, some new. Broadly speaking, the root causes are old, but the adamant stand taken by the Arabs is a new factor.

The Mandatory's task has always been difficult, and contemporary events unconnected with Palestine seem to be making it more so in that they seem to strengthen the Jewish and the Arab case. For instance, it is hard to refuse the Jews large immigration quotas when they are being banished from the territory of certain States and when they are prepared to bring in the capital that means prosperity for themselves and for others. It is equally hard, because of friction with the Jews who are immigrating through no fault of the Arabs, to deny the Palestinian Arabs the self-government towards which neighbouring States are progressing.

It should be noted that the Arabs do not demand Jewish withdrawal; neither their demands of 1930 nor those of 1935 asked for this; nor do they wish it now. "We are simply opposed to the political ambitions of the Zionists. . . . We are perfectly willing to accept the Jews already in the country, but we object to any more."¹ The cause of their unrest is fear lest not the Jews but political Zionism will reduce them to the level of a minority; it is hard to see how the Mandate can be executed unless this fear can somehow be dispelled.

General views
of
Mandatory's
policy

The discussions and memoranda on the subject of the disorders tended, to ventilate a good deal of opinion on the general policy of Great Britain as Mandatory. As far as Jewish and Arab opinion is concerned, it is fair to state that what pleases the one automatically displeases the other, and that their criticisms, which have so far only too often been based on the policy of the community rather than on the possibility of working the Mandate in the interests of both parties, generally speaking cancel out.

The criticism of disinterested parties is of a different type; both in the British and foreign press and in the Permanent Mandates Commission the British Government has been accused of such deficiencies as (i) "restoring an outward peace and leaving the fear and bitterness smouldering and suppressed

(1) Interview given to the *Manchester Guardian*, July 14, 1936, by two members of an Arab delegation sent to London, Mr. Shibly Jamal and Dr. Izzat Tannous; c.f. also Ghory, "An Arab View of the Situation in Palestine," *International Affairs*, September-October, 1936, p. 692; and Miss Nabiha Nasia, "The Palestine Situation," *Journal of the Royal Central Asian Society*, October 1936, p. 574.

until the fever comes on again ;”¹ (ii) unsatisfactory “ hesitation between a system of separating the two categories of the population and a system of encouraging them to co-operate ;”² (iii) failure to read the signs of the times and attribute the proper significance to the demonstrations of Arab feeling which have been in progress since 1935. It is held that when the announcement of a Royal Commission in May 1936 had no effect whatsoever on the course of the disturbances, the Government should have realised that the matter was more serious than usual, and should have prevented further bloodshed either by ceding to the Arab demands or by taking the strong measures it did not take until September.

*The
Mandatory's
Reply*

The Mandatory's reply to the criticisms of its administration is that its policy has contributed to the well-being of both communities. It is providing educational and public health services which the Arabs lacked, and it is endeavouring to solve the land problem by its cadastral survey and by the promised enforcement of Arab retention of a “ viable minimum,” both of which will improve the situation with regard to Arab permanency of tenure. It has also sought to extend the cultivable area of the country and to obtain the best results from the land available by increased irrigation, by the intensification of cultivation through seed loans, and by the establishment of Government agricultural stations and colleges where the fellah is trained in modern methods—all of which steps are improving both stock and crops, and fast reducing the size of the “ viable minimum ” required for the subsistence of a family. As regards the Jews, it points out that it is endeavouring to fulfil its promise by facilitating immigration on a scale commensurate with the country's well-being, and that it has promoted this by such means as its cadastral survey, its drainage and reclamation schemes and its policy of protection for infant industries. To sum up, it argues that it has done its best to implement its pledges in exceedingly difficult conditions.

*Some recent
proposals for
Solution*

From statements by the British Government it is clear that no further progress will be made until the report of the Royal Commission is issued. Pending this, it is perhaps useful to summarise the solutions so far proposed both in past reports and in the considerable volume of constructive criticism which first the proposed new Constitution, and later the disturbances, have provoked in the correspondence columns of the British press.

(1) Mr. Archer Cust in *Great Britain and the East*, July 23, 1936, p. 117. C.f. also below p. 100.

(2) Count de Penha Garcia to the Permanent Mandates Commission, *Minutes of the 29th Session*, p. 142. His illustration of this was the encouragement of co-operation on the municipal councils but of segregation in the public works policy, which aimed at sending Jewish workmen to Jewish areas, Arab to Arab.

At the two extremes there are (i) those who support *in toto* the three basic demands of the Arabs—cessation of immigration, stoppage of land sales and establishment of a national constitutional government—and (ii) those who support the Revisionist Zionists in their claim for a Jewish state.¹

The many proposals advocating variants of the views which favour one community rather than the other cannot, for reasons of space, be summarised here. But between the two extremes come a series of proposals the object of which is to find a policy which will simultaneously achieve for both communities the maximum possible degree of contentment. The proposals cannot all be set out in full, but some of the main points lately made are given below ; for convenience they have been divided under four heads.

Some
economic
suggestions

The first head covers the suggestions which are based on the view that economic factors are the real cause of Arab discontent, and that the remedy is a more progressive policy of educational and agricultural development among the Arab community.

The proposals cover the three problems of land settlement, development and immigration :

(1) *Land Settlement*.—Whatever the answer to the basic question of how many people Palestine can be made to hold, the inevitable problem arising here is : what policy is to be adopted as regards the sale or transfer of land to Jews and as regards the racial considerations which often govern the employment of labour.

The Hope Simpson report, it will be remembered, condemned the policy of the Zionist colonisation agencies who incorporated in their lease agreements provisions prohibiting the sale or transfer of the land to non-Jews, or the employment of non-Jewish labour upon it. The opposite view is taken by Mr. Neville Barbour, in a recently issued pamphlet called " A Plan for Lasting Peace in Palestine,"² where he proposes that, in the interests of forming a genuine Jewish peasantry, official recognition should be given to the rules forbidding employment of non-Jews on Jewish National Fund lands. (On the other hand, he is not in favour of complete segregation, for he suggests that all Arab and Jewish industrial and business enterprises employing more than 20 persons shall be required to have at least 20 per cent. of the other race in their employ.)

(1) Perhaps the most extreme view on these lines is the letter from Mr. Edwyn Bevan in *The Times* of September 11, 1936, suggesting that the Palestinian Arabs should emigrate *en masse* to Iraq.

(2) Privately printed in Jerusalem, 1936. For a full review and summary see *The Times*, September 9, 1936.

Considerations of this kind, however, barely touch the important question of land sales. Here there is general agreement that the position of the Arabs must be safeguarded ; the Government admitted as much when in February, 1936, it announced its intention of providing for the retention by each Arab family of a " viable minimum."¹

Mr. Barbour favours the fixing of certain zones within which land could only be sold to Arabs, and others within which it could only be sold to Jews. A variant of the same principle is suggested by Mr. Amery and Lord Lugard. " All experience of the contact between more highly developed and backward communities " writes Mr. Amery,² " leads to the conclusion that the one effective safeguard for the permanent interest of the backward community, pending its development, lies in retaining for it an adequate share of the land itself." And further, " the least we can do for the Arab is to recognise his present cultural and economic inferiority, and to impose such safeguards on his behalf as will in the long run assure his equal status in the national life of Palestine." Mr. Amery's practical suggestion is a guarantee of the inalienability, as from Arab to non-Arab, of an area, or areas, large enough for all present requirements, and, with improved cultivation, for a steady expansion of their numbers. Lord Lugard supported this proposal,³ which he believed should form the basis of a ten-year agreement during which period " the further proposals of the Royal Commission would have time to mature."

(ii) *Development.* Here again constructive critics are agreed that the Government must take more drastic steps than hitherto to educate the Arab (a) in order to reduce the size of the " viable minimum " and (b) in order to equalise the standard of development of the two sections of the population. The proposals in the Shaw, Hope Simpson and French reports to this end have been summarised in the body of the memorandum⁴; so has the suggestion made in the Permanent Mandates Commission that some of the unexpended budget surplus should be devoted to education.⁵

Sir Flinders Petrie recommends⁶ a system of loans to individual Arab farmers, conditional upon " following directions." The land would thus " be controlled by proper safeguards and fit

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- (1) See above, p. 80.
 - (2) *The Times*, August 8, 1936.
 - (3) *The Times*, September 2, 1936.
 - (4) See Chapter V above.
 - (5) See above, pp. 33-4.
 - (6) *The Times*, August 10, 1936.

inspectors," and in this way there would be room for three or four times the present population; Mr. Nevill Barbour, in the pamphlet already mentioned, proposes the diversion of one-fourth of the Government revenue from imports to the promotion of Arab industry for as long as the adverse trade-balance should continue.

(iii) *Immigration.* Here the suggestions fall under two heads: those relating to the rate of immigration advisable and those relating to the composition of the body fixing this rate.

As regards the first, Professor W. K. Hancock suggests a new approach to the problem;¹ he points out that quite apart from economic considerations, the political effect of immigration at the recent rate must be to "produce an explosion:"

"I have not worked out exact proportions but roughly speaking the 60,000 recorded immigration into Palestine in 1935 would be equivalent to an immigration of 500,000 into Canada or 350,000 into Australia."

He goes on to argue that the contrast of standards aggravates the problems created by this unusually large volume:

"It is also a national conflict, a conflict between different cultures and conceptions of life, and the values, ambitions and dreams which go with these."

the inference being that the rate of immigration allowed should be governed by political as well as by economic "absorptive capacity."

As regards the second head, there are many recommendations that the Arabs should be represented on the body determining the rate of entry. (At present the labour schedule is fixed by the High Commissioner after consideration of the recommendations of the Immigration Department, which cover and comment upon those of the Jewish Agency.) Mr. Barbour² suggests that the Government should be assisted by a joint committee of Jews and Arabs, subject to the proviso that should the Jewish population at any time reach 85 per cent. of the Arab population, Jewish immigration should be automatically suspended unless the Joint Committee unanimously recommended otherwise. This would apparently permit the immigration of some 450,000 more Jews, even if the number of Arabs remained stationary and no Jews emigrated.

There have also been numerous suggestions for the temporary

(1) *The Times*, October 14, 1936.

(2) In his pamphlet already quoted; see above, p. 95.

cessation or reduction of Jewish immigration, mainly as a conciliatory measure directed towards ending the strike. Sir Stafford Cripps, for instance, proposed the temporary limitation of both Jewish and Arab immigration to the average figure of 1925-29 inclusive.¹ But the Zionists strongly condemn such a measure, and have frequently pointed out that it would constitute a capitulation to violence on the part of the Government.

2. Some
"Political"
proposals

Under the second head are set out some of the suggestions of those who feel that economic remedies alone are not enough, and that they must be reinforced by changes in the political system.

The views of the Jewish and Arab communities as to the proposed Legislative Council, as well as those expressed in the British Houses of Parliament and in the Permanent Mandates Commission, have already been summarised.² But some interesting ideas have also been put forward in press correspondence and elsewhere.

In *The Times* of August 8, 1936, Mr. Amery made some proposals which were subsequently endorsed by Lord Lugard.³ Mr. Amery argued that to give majority control to the Arabs, whether in the Legislature or the Administration, was simply to invite them to defeat the policy to which Great Britain was pledged; on the other hand he pointed out that it was equally impossible to go on refusing representative government indefinitely so long as the Jews were in a minority, or to contemplate handing over the Arabs to the unfettered discretion of an eventual Jewish majority. "Equality, and not mere numerical strength, is the basis for international relations," he wrote, "it is also the only workable basis for inter-community relations in a country like Palestine." He therefore proposed that any future constitutional development should be based on equality of representation, or at least of voting power, so that neither community could hope to pass legislation directly aimed at injuring the other. He elsewhere suggested⁴ that no vote on any issue should be valid unless it secured a majority from the representatives of each community.

Professor Norman Bentwich⁵ feels that a large official representation on a Legislative Council in which the Arabs outnumber the Jews will produce the objectionable position of forcing the Government to side with the Jews whenever it is necessary to counter or modify an Arab proposal. He advocates equal representation of Jews and Arabs with two or three Government officials to direct legislation and prevent deadlocks.

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- (1) *Manchester Guardian*, September 8, 1936.
 - (2) See above p. 81.
 - (3) *The Times*, September 2, 1936.
 - (4) *The Times*, January 10, 1936.
 - (5) *The Times*, August 22, 1936.

Mr. Nevill Barbour¹ takes rather a different view. He advocates the establishment of an Arab Agency on a parity with the Jewish Agency, to which should be invited permanent representatives of the adjacent Arab States, Syria, Lebanon, Trans-jordan, Iraq, Saudi Arabia and possibly also Egypt, who would rank as members of the Agency whenever any subject directly affecting their countries was discussed. He proposed that legislation should be the prerogative of the High Commissioner, but that a Joint Committee of the two Agencies should consider and report on all proposed legislation, and should also have the right to initiate legislation, which, however, the High Commissioner would not be bound to accept.

Some
"psychological"
proposals

Under the third head come the suggestions of those who feel that no action, political or economic, can be successful unless accompanied by a growth of economic and political co-operation between the Jews and Arabs themselves. An alternative view held by some of those who feel that the psychological element must be taken into account is that what is wanted is a firm statement of the British Government's policy, in one direction or another.

The view that nothing can be done without the co-operation of the two communities has been stressed in the findings of all the Commissions which have so far reported upon Palestine, and it has recently been endorsed by the various people who have suggested a conference between Arabs and Jews, either unofficial or under the ægis of the British Government, which might appoint a neutral chairman "to maintain harmonious relations."²

Others suggest that feeling on both sides is at present such that a lead is necessary from the Mandatory Power. "Each (community) has confession and restitution to make, but we British must begin," writes Mr. Thornton Duesbury from St. George's School, Jerusalem.³ He suggests that the first step is a "mutual admission of past wrong doing"; Lord Edward Gleichen, in the same issue of *The Times*, points out the psychological effect of "the British Government acknowledging that many of its promises have not been kept."

The
"Cantonization"
solution

Finally, there is the "Segregationist" or "Cantonization" theory, the most radical solution so far propounded, which, dismissing the psychological solution of co-operation as impossible, and the mere modification of the *status quo*—whether by

(1) In his pamphlet already quoted; see above, p. 95.

(2) See letters in *The Times*, from Lord Lugard (September 2), Lord Winter-ton (August 31 and September 7 and 28), and Mr. Israel Sieff (August 28 and September 26), 1936.

(3) *The Times*, September 30, 1936.

economic or constitutional reform—as in itself inadequate, suggests the drastic step of dividing Palestine into two regionally distinct and practically autonomous States, one Jewish and one Arab, under a Palestinian Federal Government.

The two chief exponents of this policy are Sir Stafford Cripps and Mr. Archer Cust.¹ The former proposes² the division of Palestine into two independent autonomous States, one Jewish and one Arab, federated together in a Palestine Federal Government. Acquisition of land in, and immigration into each State should be controlled by that State itself, and not by the Federal Government, which should concern itself primarily with foreign relations, posts, telegraphs, transport and similar services, provided that other matters might be referred to it by agreement between the two States. Freedom of trade and transport should be guaranteed as between the States, and he suggests that the Arab State should be provided with a loan by the British Government for purposes of bringing standards of education and agriculture up to those which have been made possible for Jews by the capital provided by Jews.

In this scheme no suggestions are made as to the precise geographical position to be occupied by the Arab and Jewish States. Mr. Cust, on the other hand, has provided a fairly detailed description of their possible boundaries.³ The Jewish canton would comprise the maritime plain from north of Gaza, in the south, up to Acre, in the north, the plain of Esdraelon, and the Huleh Basin, and would include the Jewish cultural centres of Safed and Tiberias. The Arab canton would consist of the hill country of Judæa, Samaria and Galilee, and would be combined with the present State of Transjordan. An Arab corridor would have to be provided through the Moslem districts of Ramleh and Lydda to the sea at Jaffa, and some special arrangement might have to be made for the Beersheba district, where the population is still nomadic. Jerusalem and Bethlehem “which are world possessions,” and the port and oil area of Haifa would be reserved to direct administration by the High Commissioner. The obvious Arab objection to this plan is that it allots all the best land—except possibly the Jordan valley—to the Jews.

The plan would give the two “cantons” the fullest local autonomy, similar to that enjoyed at present by Transjordan.

(1) Mr. Archer Cust is an ex-official; he was Sir Herbert Samuel's A.D.C. when the latter was High Commissioner, and in all served for fourteen years in the Administration.

(2) *Manchester Guardian*, September 8, 1936.

(3) See *The Times*, May 19, 1936, and *Great Britain and the East*, July 23, 1936, p. 117.

A central Federal Government controlled by the Mandatory Power would be set up in Jerusalem, to which the two administrations would send representatives. Mr. Cust claims that the scheme would merely establish on a political basis a state of affairs which has to a large extent already come about by natural processes—since the Jews are now concentrated in the plains, where alone it is possible to introduce the intensive form of cultivation essential to their standard of living—and that it need entail no forcible exchange of persons or property, since there would be nothing to prevent Arabs from residing in the Jewish, or Jews in the Arab “canton.”

Perhaps the most striking feature of the foregoing summary of the various plans proposed is the scarcity of comprehensive suggestions so far made for the solution of the problem. For this reason the report of the Royal Commission will be awaited with exceptional interest.

CHATHAM HOUSE.

December, 1936

APPENDIX I.

THE MANDATE FOR PALESTINE.¹

The Council of the League of Nations :

Whereas the Principal Allied Powers have agreed, for the purpose of giving effect to the provisions of Article 22 of the Covenant of the League of Nations, to entrust to a Mandatory selected by the said Powers the administration of the territory of Palestine, which formerly belonged to the Turkish Empire, within such boundaries as may be fixed by them ; and

Whereas the Principal Allied Powers have also agreed that the Mandatory should be responsible for putting into effect the declaration originally made on November 2nd, 1917, by the Government of His Britannic Majesty, and adopted by the said Powers, in favour of the establishment in Palestine of a national home for the Jewish people, it being clearly understood that nothing should be done which might prejudice the civil and religious rights of existing non-Jewish communities in Palestine, or the rights and political status enjoyed by Jews in any other country ; and

Whereas recognition has thereby been given to the historical connection of the Jewish people with Palestine and to the grounds for reconstituting their national home in that country ; and

Whereas the Principal Allied Powers have selected His Britannic Majesty as the Mandatory for Palestine ; and

Whereas the Mandate in respect of Palestine has been formulated in the following terms and submitted to the Council of the League for approval ; and

Whereas His Britannic Majesty has accepted the Mandate in respect of Palestine and undertaken to exercise it on behalf of the League of Nations in conformity with the following provisions ; and

Whereas by the afore-mentioned Article 22 (paragraph 8), it is provided that the degree of authority, control or administration to be exercised by the Mandatory, not having been previously agreed upon by the Members of the League, shall be explicitly defined by the Council of the League of Nations ;

Confirming the said Mandate, defines its terms as follows :

ARTICLE 1.

The Mandatory shall have full powers of legislation and of administration, save as they may be limited by the terms of this Mandate.

ARTICLE 2.

The Mandatory shall be responsible for placing the country under such political, administrative and economic conditions as will secure the establishment of the Jewish national home, as laid down in the preamble, and the development of self-governing institutions, and also for safeguarding the civil and religious rights of all the inhabitants of Palestine, irrespective of race and religion.

ARTICLE 3.

The Mandatory shall, so far as circumstances permit, encourage local autonomy.

(1) *British White Paper*, Cmd. 1785.

ARTICLE 4.

An appropriate Jewish agency shall be recognised as a public body for the purpose of advising and co-operating with the Administration of Palestine in such economic, social and other matters as may affect the establishment of the Jewish national home and the interests of the Jewish population in Palestine, and, subject always to the control of the Administration, to assist and take part in the development of the country.

The Zionist organisation, so long as its organisation and constitution are in the opinion of the Mandatory appropriate, shall be recognised as such agency. It shall take steps in consultation with His Britannic Majesty's Government to secure the co-operation of all Jews who are willing to assist in the establishment of the Jewish national home.

ARTICLE 5.

The Mandatory shall be responsible for seeing that no Palestine territory shall be ceded or leased to, or in any way placed under the control of, the Government of any foreign Power.

ARTICLE 6.

The Administration of Palestine, while ensuring that the rights and position of other sections of the population are not prejudiced, shall facilitate Jewish immigration under suitable conditions and shall encourage, in co-operation with the Jewish agency referred to in Article 4, close settlement by Jews on the land, including State lands and waste lands not required for public purposes.

ARTICLE 7.

The Administration of Palestine shall be responsible for enacting a nationality law. There shall be included in this law provisions framed so as to facilitate the acquisition of Palestinian citizenship by Jews who take up their permanent residence in Palestine.

ARTICLE 8.

The privileges and immunities of foreigners, including the benefits of consular jurisdiction and protection as formerly enjoyed by Capitulation or usage in the Ottoman Empire, shall not be applicable in Palestine.

Unless the Powers whose nationals enjoyed the afore-mentioned privileges and immunities on August 1st, 1914, shall have previously renounced the right to their re-establishment, or shall have agreed to their non-application for a specified period, these privileges and immunities shall, at the expiration of the Mandate, be immediately re-established in their entirety or with such modifications as may have been agreed upon between the Powers concerned.

ARTICLE 9.

The Mandatory shall be responsible for seeing that the judicial system established in Palestine shall assure to foreigners, as well as to natives, a complete guarantee of their rights.

Respect for the personal status of the various peoples and communities and for their religious interests shall be fully guaranteed. In particular, the control and administration of Wakfs shall be exercised in accordance with religious law and the dispositions of the founders.

ARTICLE 10.

Pending the making of special extradition agreements relating to Palestine, the extradition treaties in force between the Mandatory and other foreign Powers shall apply to Palestine.

ARTICLE 11.

The Administration of Palestine shall take all necessary measures to safeguard the interests of the community in connection with the development of the country, and, subject to any international obligations accepted by the Mandatory, shall have full power to provide for public ownership or control of any of the natural resources of the country or of the public works, services and utilities established or to be established therein. It shall introduce a land system appropriate to the needs of the country, having regard, among other things, to the desirability of promoting the close settlement and intensive cultivation of the land.

The Administration may arrange with the Jewish agency mentioned in Article 4 to construct or operate, upon fair and equitable terms, any public works, services and utilities, and to develop any of the natural resources of the country, in so far as these matters are not directly undertaken by the Administration. Any such arrangements shall provide that no profits distributed by such agency, directly or indirectly, shall exceed a reasonable rate of interest on the capital, and any further profits shall be utilised by it for the benefit of the country in a manner approved by the Administration.

ARTICLE 12.

The Mandatory shall be entrusted with the control of the foreign relations of Palestine and the right to issue exequaturs to consuls appointed by foreign Powers. He shall also be entitled to afford diplomatic and consular protection to citizens of Palestine when outside its territorial limits.

ARTICLE 13.

All responsibility in connection with the Holy Places and religious buildings or sites in Palestine, including that of preserving existing rights and of securing free access to the Holy Places, religious buildings and sites and the free exercise of worship, while ensuring the requirements of public order and decorum, is assumed by the Mandatory, who shall be responsible solely to the League of Nations in all matters connected herewith, provided that nothing in this article shall prevent the Mandatory from entering into such arrangements as he may deem reasonable with the Administration for the purpose of carrying the provisions of this article into effect; and provided also that nothing in this Mandate shall be construed as conferring upon the Mandatory authority to interfere with the fabric or the management of purely Moslem sacred shrines, the immunities of which are guaranteed.

ARTICLE 14.

A special Commission shall be appointed by the Mandatory to study, define and determine the rights and claims in connection with the Holy Places and the rights and claims relating to the different religious communities in Palestine. The method of nomination, the composition and the functions of this Commission shall be submitted to the Council of the League for its approval, and the Commission shall not be appointed or enter upon its functions without the approval of the Council.

ARTICLE 15.

The Mandatory shall see that complete freedom of conscience and the free exercise of all forms of worship, subject only to the maintenance of public order and morals, are ensured to all. No discrimination of any kind shall be made between the inhabitants of Palestine on the ground of race, religion or language. No person shall be excluded from Palestine on the sole ground of his religious belief.

The right of each community to maintain its own schools for the education of its own members in its own language, while conforming to such educational requirements of a general nature as the Administration may impose, shall not be denied or impaired.

ARTICLE 16.

The Mandatory shall be responsible for exercising such supervision over religious or eleemosynary bodies of all faiths in Palestine as may be required for the maintenance of public order and good government. Subject to such supervision, no measures shall be taken in Palestine to obstruct or interfere with the enterprise of such bodies or to discriminate against any representative or member of them on the ground of his religion or nationality.

ARTICLE 17.

The Administration of Palestine may organise on a voluntary basis the forces necessary for the preservation of peace and order, and also for the defence of the country, subject, however, to the supervision of the Mandatory, but shall not use them for purposes other than those above specified save with the consent of the Mandatory. Except for such purposes, no military, naval or air forces shall be raised or maintained by the Administration of Palestine.

Nothing in this article shall preclude the Administration of Palestine from contributing to the cost of the maintenance of the forces of the Mandatory in Palestine.

The Mandatory shall be entitled at all times to use the roads, railways and ports of Palestine for the movement of armed forces and the carriage of fuel and supplies.

ARTICLE 18.

The Mandatory shall see that there is no discrimination in Palestine against the nationals of any State Member of the League of Nations (including companies incorporated under its laws) as compared with those of the Mandatory or of any foreign State in matters concerning taxation, commerce or navigation, the exercise of industries or professions, or in the treatment of merchant vessels or civil aircraft. Similarly, there shall be no discrimination in Palestine against goods originating in or destined for any of the said States, and there shall be freedom of transit under equitable conditions across the Mandated area.

Subject as aforesaid and to the other provisions of this mandate, the Administration of Palestine may, on the advice of the Mandatory, impose such taxes and customs duties as it may consider necessary, and take such steps as it may think best to promote the development of the natural resources of the country and to safeguard the interests of the population. It may also, on the advice of the Mandatory, conclude a special customs agreement with any State the territory of which in 1914 was wholly included in Asiatic Turkey or Arabia.

ARTICLE 19.

The Mandatory shall adhere on behalf of the Administration of Palestine to any general international conventions already existing, or which may be concluded hereafter with the approval of the League of Nations, respecting the slave traffic, the traffic in arms and ammunition, or the traffic in drugs, or relating to commercial equality, freedom of transit and navigation, aerial navigation and postal, telegraphic and wireless communication or literary, artistic or industrial property.

ARTICLE 20.

The Mandatory shall co-operate on behalf of the Administration of Palestine, so far as religious, social and other conditions may permit, in the execution of any common policy adopted by the League of Nations for preventing and combating disease, including diseases of plants and animals.

ARTICLE 21.

The Mandatory shall secure the enactment within twelve months from this date, and shall ensure the execution of a Law of Antiquities based on the following rules. This law shall ensure equality of treatment in the matter of excavations and archæological research to the nations of all States Members of the League of Nations.

(1)

"Antiquity" means any construction or any product of human activity earlier than the year A.D. 1700.

(2)

The law for the protection of antiquities shall proceed by encouragement rather than by threat.

Any person who, having discovered an antiquity without being furnished with the authorisation referred to in paragraph 5, reports the same to an official of the competent Department, shall be rewarded according to the value of the discovery.

(3)

No antiquity may be disposed of except to the competent Department, unless this Department renounces the acquisition of any such antiquity.

No antiquity may leave the country without an export licence from the said Department.

(4)

Any person who maliciously or negligently destroys or damages an antiquity shall be liable to a penalty to be fixed.

(5)

No clearing of ground or digging with the object of finding antiquities shall be permitted, under penalty of fine, except to persons authorised by the competent Department.

(6)

Equitable terms shall be fixed for expropriation, temporary or permanent, of lands which might be of historical or archæological interest.

(7)

Authorisation to excavate shall only be granted to persons who show sufficient guarantees of archæological experience. The Administration of Palestine shall not, in granting these authorisations, act in such a way as to exclude scholars of any nation without good grounds.

(8)

The proceeds of excavations may be divided between the excavator and the competent Department in a proportion fixed by that Department. If division seems impossible for scientific reasons, the excavator shall receive a fair indemnity in lieu of a part of the find.

ARTICLE 22.

English, Arabic and Hebrew shall be the official languages of Palestine. Any statement or inscription in Arabic on stamps or money in Palestine shall be repeated in Hebrew, and any statement or inscription in Hebrew shall be repeated in Arabic.

ARTICLE 23.

The Administration of Palestine shall recognise the holy days of the respective communities in Palestine as legal days of rest for the members of such communities.

ARTICLE 24.

The Mandatory shall make to the Council of the League of Nations an annual report to the satisfaction of the Council as to the measures taken during the year to carry out the provisions of the Mandate. Copies of all laws and regulations promulgated or issued during the year shall be communicated with the report.

ARTICLE 25.

In the territories lying between the Jordan and the eastern boundary of Palestine as ultimately determined, the Mandatory shall be entitled, with the consent of the Council of the League of Nations, to postpone or withhold application of such provisions of this Mandate as he may consider inapplicable to the existing local conditions, and to make such provision for the administration of the territories as he may consider suitable to those conditions, provided that no action shall be taken which is inconsistent with the provisions of Articles 15, 16 and 18.

ARTICLE 26.

The Mandatory agrees that, if any dispute whatever should arise between the Mandatory and another Member of the League of Nations relating to the interpretation or the application of the provisions of the Mandate, such dispute, if it cannot be settled by negotiation, shall be submitted to the Permanent Court of International Justice provided for by Article 14 of the Covenant of the League of Nations.

ARTICLE 27.

The consent of the Council of the League of Nations is required for any modification of the terms of this mandate.

ARTICLE 28.

In the event of the termination of the Mandate hereby conferred upon the Mandatory, the Council or the League of Nations shall make such arrangements as may be deemed necessary for safeguarding in perpetuity, under guarantee of the League, the rights secured by Articles 13 and 14, and shall use its influence for securing, under the guarantee of the League, that the Government of Palestine will fully honour the financial obligations legitimately incurred by the Administration of Palestine during the period of the Mandate, including the rights of public servants to pensions or gratuities.

The present instrument shall be deposited in original in the archives of the League of Nations and certified copies shall be forwarded by the Secretary-General of the League of Nations to all Members of the League.

Done at London the twenty-fourth day of July, one thousand nine hundred and twenty-two.

APPENDIX II.

THE CHURCHILL MEMORANDUM, June 3, 1922.¹

PREAMBLE—The Secretary of State for the Colonies has given renewed consideration to the existing political situation in Palestine, with a very earnest desire to arrive at a settlement of the outstanding questions which have given rise to uncertainty and unrest among certain sections of the population. After consultation with the High Commissioner for Palestine the following statement has been drawn up. It summarises the essential parts of the correspondence that has already taken place between the Secretary of State and a Delegation from the Moslem-Christian Society of Palestine, which has been for some time in England, and it states the further conclusions which have since been reached.

The tension which has prevailed from time to time in Palestine is mainly due to apprehensions, which are entertained both by sections of the Arab and of the Jewish population. These apprehensions, so far as the Arabs are concerned, are partly based upon the exaggerated interpretations of the meaning of the Declaration favouring the establishment of the Jewish National Home in Palestine, made on behalf of His Majesty's Government on November 2, 1917. Unauthorised statements have been made to the effect that the purpose in view is to create a wholly Jewish Palestine. Phrases have been used such as that Palestine is to become "as Jewish as England is English." His Majesty's Government regard any such expectation as impracticable and have no such aim in view. Nor have they at any time contemplated, as appears to be feared by the Arab Delegation, the disappearance or the subordination of the Arabic population, language or culture in Palestine. They would draw attention to the fact that the terms of the Declaration referred to do not contemplate that Palestine as a whole should be converted into a Jewish National Home, but that such a Home should be founded *in Palestine*. In this connection it has been observed with satisfaction that at the meeting of the Zionist Congress, the supreme governing body of the Zionist Organisation, held in Carlsbad in September, 1921, a resolution was passed expressing as the official statement of Zionist aims "the determination of the Jewish people to live with the Arab people on terms of unity and mutual respect, and together with them to make the common home into a flourishing community, the up-building of which may assure to each of its peoples an undisturbed national development."

It is also necessary to point out that the Zionist Commission in Palestine, now termed the Palestine Zionist Executive, has not desired to possess, and does not possess, any share in the general administration of the country. Nor does the special position assigned to the Zionist Organisation in Article 4 of the Draft Mandate for Palestine imply any such functions. That special position relates to the measures to be taken in Palestine affecting the Jewish population, and contemplates that the Organisation may assist in the general development of the country, but does not entitle it to share in any degree in its Government.

Further, it is contemplated that the status of all citizens of Palestine in the eyes of the law shall be Palestinian, and it has never been intended that they, or any section of them, should possess any other juridical status.

So far as the Jewish population of Palestine are concerned, it appears that some among them are apprehensive that His Majesty's Government may depart from the policy embodied in the Declaration of 1917. It is

(1) *British White Paper*, Cmd. 1700.

necessary, therefore, once more to affirm that these fears are unfounded, and that that Declaration, re-affirmed by the Conference of the Principal Allied Powers at San Remo and again in the Treaty of Sèvres, is not susceptible of change.

During the last two or three generations the Jews have re-created in Palestine a community, now numbering 80,000, of whom about one-fourth are farmers or workers on the land. This community has its own political organs; an elected assembly for the direction of its domestic concerns; elected councils in the towns; and an organisation for the control of its schools. It has its elected Chief Rabbinate and Rabbinical Council for the direction of its religious affairs. Its business is conducted in Hebrew as a vernacular language, and a Hebrew press serves its needs. It has its distinctive intellectual life and displays considerable economic activity. This community, then, with its town and country population, its political, religious and social organisations, its own language, its own customs, its own life, has in fact "national" characteristics. When it is asked what is meant by the development of the Jewish National Home in Palestine, it may be answered that it is not the imposition of a Jewish nationality upon the inhabitants of Palestine as a whole, but the further development of the existing Jewish community, with the assistance of Jews in other parts of the world, in order that it may become a centre in which the Jewish people as a whole may take, on grounds of religion and race, an interest and a pride. But in order that this community should have the best prospect of free development and provide a full opportunity for the Jewish people to display its capacities, it is essential that it should know that it is in Palestine as of right and not on sufferance. That is the reason why it is necessary that the existence of a Jewish National Home in Palestine should be internationally guaranteed, and that it should be formally recognised to rest upon ancient historic connection.

This, then, is the interpretation which His Majesty's Government place upon the Declaration of 1917, and, so understood, the Secretary of State is of opinion that it does not contain or imply anything which need cause either alarm to the Arab population of Palestine or disappointment to the Jews.

For the fulfilment of this policy it is necessary that the Jewish community in Palestine should be able to increase its numbers by immigration. This immigration cannot be so great in volume as to exceed whatever may be the economic capacity of the country at the time to absorb new arrivals. It is essential to ensure that the immigrants should not be a burden upon the people of Palestine as a whole, and that they should not deprive any section of the present population of their employment. Hitherto the immigration has fulfilled these conditions. The number of immigrants since the British occupation has been about 25,000.

It is necessary also to ensure that persons who are politically undesirable are excluded from Palestine, and every precaution has been and will be taken by the Administration to that end.

It is intended that a special committee should be established in Palestine, consisting entirely of members of the new Legislative Council elected by the people, to confer with the Administration upon matters relating to the regulation of immigration. Should any difference of opinion arise between this committee and the Administration, the matter will be referred to His Majesty's Government, who will give it special consideration. In addition, under Article 81 of the draft Palestine Order in Council, any religious community or considerable section of the population of Palestine will have a general right to appeal, through the High Commissioner and the

Secretary of State, to the League of Nations on any matter on which they may consider that the terms of the Mandate are not being fulfilled by the Government of Palestine.

With reference to the Constitution which it is now intended to establish in Palestine, the draft of which has already been published, it is desirable to make certain points clear. In the first place it is not the case, as has been represented by the Arab Delegation, that during the war His Majesty's Government gave an undertaking that an independent national government should at once be established in Palestine. This representation mainly rests upon a letter dated October 24, 1915, from Sir Henry McMahon, then His Majesty's High Commissioner in Egypt, to the Sherif of Mecca, now King Hussein of the Kingdom of the Hejaz. That letter is quoted as conveying the promise to the Sherif of Mecca to recognise and support the independence of the Arabs within the territories proposed by him. But this promise was given subject to a reservation made in the same letter which excluded from its scope, among other territories, the portions of Syria lying to the west of the district of Damascus. This reservation has always been regarded by His Majesty's Government as covering the vilayet of Beirut and the independent Sanjak of Jerusalem. The whole of Palestine west of the Jordan was thus excluded from Sir H. McMahon's pledge.

Nevertheless, it is the intention of His Majesty's Government to foster the establishment of a full measure of self-government in Palestine. But they are of opinion that, in the special circumstances of that country, this should be accomplished by gradual stages and not suddenly. The first step was taken when, on the institution of a civil Administration, the nominated Advisory Council, which now exists, was established. It was stated at the time by the High Commissioner that this was the first step in the development of self-governing institutions, and it is now proposed to take a second step by the establishment of a Legislative Council containing a large proportion of members elected on a wide franchise. It was proposed in the published draft that three of the members of this Council should be non-official persons nominated by the High Commissioner, but representations having been made in opposition to this provision, based on cogent considerations, the Secretary of State is prepared to omit it. The Legislative Council would then consist of the High Commissioner as President and twelve elected and ten official members. The Secretary of State is of opinion that before a further measure of self-government is extended to Palestine and the Assembly placed in control over the Executive, it would be wise to allow some time to elapse. During this period the institutions of the country will have become well established; its financial credit will be based on firm foundations, and the Palestinian officials will have been enabled to gain experience of sound methods of government. After a few years the situation will again be reviewed, and if the experience of the working of the Constitution now to be established so warranted, a larger share of authority would then be extended to the elected representatives of the people.

The Secretary of State would point out that already the present Administration has transferred to a Supreme Council elected by the Moslem community of Palestine the entire control of Moslem religious endowments (Wakfs), and of the Moslem religious courts. To this Council the Administration has also voluntarily restored considerable revenues derived from ancient endowments which had been sequestered by the Turkish Government. The Education Department is also advised by a committee representative of all sections of the population, and the Department of

Commerce and Industry has the benefit of the co-operation of the Chambers of Commerce which have been established in the principal centres. It is the intention of the Administration to associate in an increased degree similar representative committees with the various Departments of the Government.

The Secretary of State believes that a policy upon these lines, coupled with the maintenance of the fullest religious liberty in Palestine and with scrupulous regard for the rights of each community with reference to its Holy Places, cannot but commend itself to the various sections of the population, and that upon this basis may be built up that spirit of co-operation upon which the future progress and prosperity of the Holy Land must largely depend.

THE JEWISH AND ARAB REPLIES.

The British White Paper in which this statement of Policy is published also contains the replies of the Jews and Arabs to it.

The Jewish reply, in the form of a letter from Dr. Weizmann to the Colonial Office, transmitted the following resolution :

" The Executive of the Zionist Organisation, having taken note of the statement relative to British policy in Palestine, transmitted to them by the Colonial Office under date June 3rd, 1922, assure His Majesty's Government that the activities of the Zionist Organisation will be conducted in conformity with the policy therein set forth."

The Arab reply, on the other hand, declined to concur in the British Statement. It pointed out that the British document contained some mis-statements of fact to which those with local knowledge could not subscribe, notably that that the Zionists did not " possess any share in the general administration of the country." It went on to claim that the Arabs of Palestine, who formed 93 per cent. of the population, had as much right as had the Jews to be " confirmed in their national home." After reiterating that the McMahon promise included independence for Palestine, the Arab reply concluded by pointing out that the Mandatory was wrong in thinking that its policy was acceptable to all sections of the population. On the contrary, it caused discontent among 93 per cent. of the whole, who feared the Zionists, who " enter Palestine by the might of England against the will of the people who are convinced that they have come to strangle them. Nature does not allow the creation of a spirit of co-operation between two peoples so different. . . . The fact is that His Majesty's Government has placed itself in the position of a partisan in Palestine of a certain policy which the Arab cannot accept because it means his extinction sooner or later."