

LEAGUE OF NATIONS

INTERNATIONAL ECONOMIC CONFERENCE

VERBATIM RECORD OF THE PLENARY MEETINGS

ELEVENTH MEETING

Held on Monday, May 23rd, 1927, at 4 p.m.

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President : M. Georges THEUNIS.

25. — LIMITATION OF EXPENDITURE ON ARMAMENTS : ADOPTION OF A DRAFT RESOLUTION PROPOSED BY M. ORNE (SWEDEN) AND SUBMITTED TO THE CONFERENCE BY THE CO-ORDINATION COMMITTEE.

The President :

Translation : The first item on the agenda is the discussion of the resolution proposed by M. Orne

regarding armament expenditure. This resolution has been referred by the Co-ordination Committee to the plenary Conference.

M. Orne (Sweden) will address the Conference.

M. Orne (Sweden) : The report of the Brussels Financial Conference, published in October 1920, emphasised the importance of "securing a general and agreed reduction of the crushing burden which, on their existing scale, armaments still imposed on the impoverished peoples of the world, sapping their resources and imperilling their recovery from the ravages of war". In the three succeeding years (1921, 1922 and 1923), considerable reduction of defence expenditure was effected in a large number of countries, but the level then reached has remained almost unchanged up to the present time, the decreases which have taken place in three or four countries (and among them my own country, Sweden) having been offset by increases in the armament expenditure of two other countries.

But what is that level ? Calculations based on figures published in the *Armaments Yearbook* show that, if war pensions be excluded, the total current defence expenditure in the world as a whole amounts to more than 19 billion gold francs (3,800 million dollars) and that the expenditure in Europe is between 11 and 12 billion gold francs per annum (2,200 million dollars). Though the Peace Treaties limited the defence organisations in four European countries, the last-mentioned figure is about the same in gold as in 1913, when war preparations had reached their highest point, so that the only lightening in the burden of armaments as compared with the level before the war is measurable by the fall in the purchasing-power of gold.

To realise the magnitude of the sum devoted by Europe each year to armaments, we may compare it with the amount of capital transferred to the continent of Europe during recent years, transfers which, in the unanimous opinion of those who have

spoken on the subject at this Conference, have been of the utmost importance for world recovery. It will be found from the statements of the balance of payments that the sum of 11 to 12 billion gold francs, which is the annual outlay of Europe on armaments, exceeds the aggregate amount of new capital lent by the United States of America to Europe in the four years 1923, 1924, 1925 and 1926, and is more than twice the amount borrowed abroad by Germany since the stabilisation of her currency in the autumn of 1923.

I should like to lay stress upon the fact that all the data that I have quoted have been taken from official documents, the *Armaments Yearbook* of the League of Nations, the estimates of balance of payments made by the Department of Commerce in New York and statements by the President of the Reichsbank. In view of these figures, the Economic Conference can hardly avoid expressing its concern, from an economic point of view, at the heavy expenditure on armaments and urging on the Council of the League of Nations and the various Governments of the world the importance of the rigorous reduction of such expenditure.

For this reason, Mr. President, I ask leave to move the following resolution :

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

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

The President :

Translation : M. Sokolnikoff (U.S.S.R.) wishes to speak on this resolution.

M. Sokolnikoff (U.S.S.R.) :

Translation : I desire on behalf of the Soviet delegation to make the following statement concerning the resolution on disarmament.

At previous discussions on disarmament the Soviet delegation proposed a much more definite formula, making it obligatory completely to abolish armaments.

Nevertheless it will vote in favour of the present resolution, which it regards as a minimum effort, being desirous of supporting every step designed to further the interests of world peace.

At the same time the Soviet delegation does not share the hopes expressed in this resolution as regards the possible action of the League of Nations in the matter of disarmament.

The President :

Translation : I now put M. Orne's proposal to the vote.

The resolution was unanimously adopted.

26. — REVIEW OF THE WORK OF THE CONFERENCE (continuation).

The President :

Translation : M. Obolenski-Ossinski (U.S.S.R.) will address the Conference.

M. Obolenski-Ossinski (U.S.S.R.) :

Translation : Mr. President, Ladies and gentlemen — The work of the International Economic Conference is nearing its conclusion, and the present moment appears to me to offer a suitable opportunity to draw certain conclusions from the point of view of the Soviet delegation.

Members of the Conference, Press representatives the public, and all who have been following the proceedings of the Conference have been asking one another the same question during these last few days : Has the Conference been a success, or have its activities resulted in failure ?

I shall endeavour first to reply to this question.

In the view of the Soviet delegation, the Conference might have proved a great success, and a very real success, if the decisions passed and the practical measures derived therefrom — to quote my first speech — had been such as to "remedy the worst of these contradictions, to improve the situation of the workers and to facilitate the transition to a new era of world economy".

Such a success would have involved the acceptance of the Soviet delegation's proposals, which were set forth in the eleven points mentioned at the end of the speech I have just quoted. As you know, these proposals were not accepted, and most of the questions with which they deal were not even examined by the Conference.

The representatives of the capitalist States present here had assigned another task to this Conference, and tried to find other means of promoting what they called "the alleviation of world economic difficulties".

These means they sought to find by making minor changes in the economic and social policy of the capitalist States. They were thus helping to consolidate and stabilise the capitalist system, wherever it exists. Are such achievements of any value ? Does this Conference, in the opinion and judgment of those assembled here, represent — for the moment, of course, only psychologically — any real progress in the stabilisation of the capitalist economic system ? For such stabilisation is a fact, as we have repeatedly noted. Its existence is not assured for ever, or even perhaps for very long, but at present it is a fact.

If this Conference really marks a further step in this direction, it must be confessed that it is only a very timid one, considering the acute differences of opinion and the divergency of interests that exist, and the enormous difficulties resulting therefrom, which prevent the co-ordination of the exceedingly abstract decisions taken.

One very far-reaching question was submitted to this Conference. I refer to the question of establishing measures for the peaceful co-existence of the two economic systems — the socialist system in the Soviet Union and the capitalist system in other countries.

The Soviet delegation suggested this practical formula, a formula which is inevitable in view of the *de facto* co-existence of the two systems and the structural links which exist in the world economic system. In proposing this formula, we did not renounce a single one of the principles upon which our socialist system is based. We spoke advisedly of the co-existence of two different, two divergent economic systems.

Does this Conference mark a step forward towards the practical realisation of our proposal ? It does. That is an actual fact, and it is one of the successes achieved by the Conference. This fact, like many others, is not yet fully established, but in the relevant resolution the principle has been enunciated sufficiently clearly.

As regards this point, I should like to refer to a statement made by M. Jouhaux to the French Press. M. Jouhaux thinks we are inconsistent in condemning his very enthusiastic attempt to arrive at a compromise with the capitalist class while at the same time ourselves concluding compromises with the capitalist States.

Surely M. Jouhaux must see the fundamental difference. To begin with, what he calls our "compromises" do not mean a renunciation of the principles of the socialist system established in the Soviet Union. Our compromise consists in a desire to promote exchanges of commodities between two entirely different economic systems. Such exchanges would in no way prejudice the interests of the working classes or compromise the principles upon which the socialist system in the Soviet Union is based.

M. Jouhaux's compromises are quite different in character. They simply amount to economic and political concessions by the workers to the capitalist class.

Again, does M. Jouhaux not realise that, when the political and economic power of the whole State is in the hands of the workers, the relations between that State and capitalist States are not the same as relations between the different classes in any single State? Collisions between States mean war. Hence those who are opposed to war must seek for some scheme of peaceful co-existence. We deem it our duty to endeavour to find some such solution in our relations with States whose economic system is different from our own.

The position of the workers within a capitalist State is obviously quite different.

To return to questions which directly concern the Conference. I beg to inform you that the Soviet delegation will abstain when a vote is taken on the Conference's resolutions as a whole. This we shall do because, although opposed to many of the principles, statements and concrete decisions formulated in this report, we find in it and in the resolutions as a whole various concrete decisions with which we are in perfect agreement. There is, for instance, the formula — to us a vital formula — concerning economic co-operation between all countries irrespective of differences in their economic systems.

We do not wish to raise any formal obstacle which would prevent the realisation of those of the decisions which we approve. Accordingly, we shall abstain from voting on the report as a whole.

As regards the separate parts of the report, we expressed our opinion when voting on the individual motions.

I might mention, again, that we do not approve the proposals by which the execution of certain measures is entrusted to different organs of the League of Nations. We are not a Member of the League, and we have no intention of applying for admission. We cannot regard the League as an instrument of peace, for in our opinion it constitutes, in its present form, an instrument which serves the interests of the ruling Powers of the world and is often employed as a cloak to cover acts of violence committed at the expense of weaker States.

We propose, therefore, in conjunction with these States, to seek other means whereby the measures we take to carry out the resolutions that we approve may be co-ordinated with the measures taken by other States. We shall do our utmost to carry out these resolutions by rapid and energetic means, and we earnestly hope that the other States and nations will adopt, without delay and to the fullest possible extent, such parts of the Conference's work as may lead to positive results.

The President :

Translation : M. Jouhaux (France) will address the Conference.

M. Jouhaux (France) :

Translation : Mr. President, ladies and gentlemen — The Soviet delegation has paid me the most flattering attention, but I feel myself quite unworthy of its regard. I do not wish to engage in a fresh controversy, which would be quite out of place here — even more out of place at this stage of our proceedings than at the beginning of the Conference.

I simply wish to point out two slight contradictions in the Soviet delegate's speech, and this I think will serve to elucidate the courteous debate that has taken place here and the other conflict of ideas that is going on outside the Conference.

The first point is this. When we plead extenuating circumstances for ourselves we should be magnanimous enough to allow others to do the same. The Soviet State has to face necessities which I do not deny and have never denied ; but in every other country the militant workers are faced with other necessities that are no less imperious. While it may be necessary for the Soviet delegation and the Soviet Government to compromise with the capitalist States which still exist in the world, yet the workers' organisations in every country must at the same time take this position into account and compromise with it.

There is a second point, an even more obvious point, if I may say so without discourtesy but at the same time quite plainly. It is inconsistent to condemn *ex cathedra* systems other than one's own and then to suggest co-operation with those very systems that have been condemned — indeed, to suggest not merely co-operation and discussion but concessions inconsistent with the very principles that have been invoked, the very principles originally adduced. That is all I propose to say on the matter.

We have reached the conclusion of our work. Let me say at once that this Conference has assumed an importance which will make a profound impression on the world.

We have heard here from this platform solemn utterances from representatives of every nation, showing the essential reasons for the disequilibrium, the atrophy from which the whole world and all the peoples of the world are suffering. We have been told that the remedy lies in peaceful co-operation between the nations. We have heard economic nationalism condemned in categorical terms. We have received unexpected support.

That in itself would more than justify the holding of this Conference. Why, then, after noting this great achievement, do I still feel impelled to express a certain feeling of bitterness and regret ?

Important as I consider the rule of unanimity to be, and important as it undoubtedly is from the point of view of practical international co-operation, it does not necessarily mean, in my view — to quote an old saying — that "everything is for the best in the best of all possible worlds". Nor does it mean that the masses should depend simply and solely upon the decisions passed by this Conference or the application of those decisions by the different Governments. I am one of those who think that a Conference such as ours, if it is to lead to practical and fruitful results, should be supported by public opinion. The public must emerge from its passivity. People must not merely wring their hands in despair. They must act.

At this Conference we have examined all these problems. We have — very tentatively —

The President :

Translation : We know the reasons that have led the delegates of the Union of Socialist Soviet Republics to abstain from voting.

I have also received a notice of abstention from the Turkish delegation. It reads as follows :

“ May 22nd. 1927.

[*Translation.*]

“ The Turkish Government welcomed the invitation sent to it to take part in this International Conference, convened to study the great world economic problems and to seek in common a way of solving them.

“ We have been able in this way to profit by the copious documentation so carefully compiled by the Preparatory Committee, and we have followed with deep interest the discussions which have taken place in the course of the objective study of the problems with which the Conference has had to deal.

“ In this connection, I desire to thank you for the unfailing courtesy you have displayed in presiding over our proceedings.

“ Most of the questions dealt with by the three Committees affect, to a greater or lesser degree, the situation in our country.

“ Many of the measures recommended by the Conference are not only in close accord with the ideas and principles on which the economic policy of the new Turkey is based, but are already being applied in that country. The fundamental principles of that policy are equality and reciprocity of treatment in matters of commerce.

“ On the other hand, the reports submitted to the plenary Conference contain resolutions which are not in accordance either with the interests or with the needs of Turkey and which we should therefore be obliged to reject.

“ Moreover, since one of the principal results of the Conference will be that the application of the proposed solutions will be entrusted to organs of the League of Nations, our delegation felt that it could hardly accept these proposals, in view of our special position at the Conference.

“ Rather than express in regard to these points formal reservations which, as was clear from the discussions, would not have altered the views of the majority of States represented here, the Turkish delegation prefers to abstain from taking part in the final vote.

“ I therefore request you to take note of the special reasons which have dictated the attitude that our delegation feels bound in the circumstances to adopt.

(Signed) HASSAN,

“ *Head of the Turkish Delegation.*”

M. Loucheur (France) will address the Conference.

M. Loucheur (France) :

Translation : Ladies and gentlemen — We have now come to the close of a long and interesting discussion, and before the President gives you his summary of our proceedings you will perhaps allow me to express the keen satisfaction with which I have followed the important work on which you have been engaged, and to add that the conclusion to be drawn from it is this : You have recognised that the League of Nations must henceforth deal with economic problems just as it now deals with political problems.

I should also like to say that we must, all of us, when we return to our own countries, make ourselves the advocates of the measures we have so enthusiastically recommended here.

When I see so many distinguished men assembled in this hall in order to add to the common fund the treasures of their knowledge and experience, I cannot but feel confident that the League of Nations, which invited our collaboration, will complete the task we have begun.

We have discussed at length the form of the organisations which should come after us. I say frankly that what seems to me most important is your unanimous agreement that our conclusions must not be regarded simply as vague resolutions passed by some academic assembly, but as instruments which all of us are anxious to see followed up by further action. That is the most important fact which emerges from our proceedings. I am well aware that some of us have expressed sceptical views ; but I hope you will not blame me if, having been invited here by the League, I refuse to speak ill of it. On the contrary, I shall speak well of it, because I have for long been watching it at work, and have seen how it has always striven for peace.

Now that these discussions have come to a close, I would remind you that the principal motive that has brought us together here is the strong conviction we all share — as I said in my first speech — that economic conflicts are often the causes of war, and that in working to prevent them we are all working for peace.

The question of national security has constantly arisen in our discussions. Security, arbitration, disarmament — those are the three terms of the formula once postulated from this platform.

For my own part I sincerely hope that the League will continue in its present course, and that in its efforts to provide security for the world it will, like all of us here, leave no stone unturned to secure that end.

More than one speaker has mentioned that it was my country which in 1925 took the initiative in asking for this Conference to be held, and I therefore desire to thank you all from the bottom of my heart for having come here from every part of the world to take your share, modestly but boldly, in a task which, though it has been a very difficult one, will certainly not have been in vain. It would have been in vain, however, had the ground not been carefully prepared by the Preparatory Committee and the League Secretariat ; and I am sure therefore that I am speaking on behalf of you all when I offer my sincerest thanks to the Secretariat for its admirable work.

But you will all agree that there is one to whom our special thanks are due. I have known our President, M. Theunis, for a long time. I worked with him in 1918 and 1919 and I knew then that he had a great career before him as a statesman in his own country. It was to him that Belgium turned in the difficult hour of reconstruction. You all know the great work he has accomplished. He would never have emerged from his retirement and come here to take up a fresh task had it not been to serve the general cause of humanity. He answered the Council's call, and he has presided over our discussions with a high authority and a courtesy which we all gladly acknowledge, and also with a firmness which was very necessary in discussions of so complex and comprehensive a nature. I am sure, therefore, that I am speaking for all of you in offering M. Theunis the hearty thanks of the Conference.

30 — CLOSING SPEECH BY THE PRESIDENT.

The President :

Translation : The deliberations of this Conference have now come to an end, and it remains for me,

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

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

The Conference has been no less notable in its composition: 194 members, attended by 157 experts, drawn from fifty countries in all quarters of the globe, including not only countries which are Members of the League but non-Members, have agreed upon a body of far-reaching recommendations and resolutions.

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

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

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

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

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

In spite of the efforts to be impartial and to be conciliatory which we are accustomed to expect from representatives meeting at Geneva, there was reason to fear that the diversity of origin and of

qualifications might cause friction and opposition — possibly of a violent and unpleasant character.

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

Producers, employers and workers, farmers, traders, financiers, economists and consumers, you have, without neglecting the interests which you represent and which you have to defend, constantly borne in mind that we are all members of the same community, working, toiling, suffering together and directing our efforts to a common end.

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

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

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

* * *

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

The Conference, as a world conference composed of those who represent different interests and policies in every quarter of the globe, has considered economic problems in their international aspects and adopted an international point of view. It has recognised the importance, and in certain cases the decisive importance, of rational considerations, some of which are political and social rather than economic in character; and it has recognised that it is not possible to secure the adoption of policies and systems determined in every feature by the sole criterion of what would give the maximum prosperity to the world as a whole. Some countries will decide to assure the manufacture in their own territory of certain articles whether or not the purely economic result, for the world as a whole or for the country in question, of importation from abroad would have been preferable. But, as the starting point and angle of approach to the different problems, the Conference, as an international

conference, has felt bound to assume that international trade is itself to be desired; that the exchange of products and services between persons either of the same country or of different countries is normally to the advantage of both parties; that the greater the range of exchange of different products between those who by their resources and capacities are best fitted to produce them, the greater is the general economic advantage; and that international exchange of products best and most economically produced in different countries should therefore be regarded as the normal rule.

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

SUMMARY OF REPORT

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

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

Economic Policies and Peace.

Lastly, on this part of the agenda, we have passed an important resolution stating our unanimous conviction that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are formed and executed; that the Governments and peoples of all countries should constantly take counsel together as to this aspect of the economic problem; and that we should look forward to the establishment of a recognised body of principles designed to eliminate the economic difficulties which cause friction and misunderstanding. The object of the Conference, as the original Assembly resolution made clear, was a twofold one. It has been concerned not only with the prosperity but with the peace of the world. This has been not only a special item on the agenda but a point of view which the Assembly wished should be borne in mind throughout the discussion of particular problems. Economic conflicts and divergence of economic interest are perhaps the most serious and the most permanent of all the dangers which are likely to threaten the peace of the world. No machinery for the settlement of international disputes can be relied upon to maintain peace if the economic policies of the world so develop as to create not only deep divergencies of economic interest between different masses of the world's population but a sense of intolerable injury and injustice. No task is more urgent or more vital than that of securing agreement on certain principles of policy which are necessary in the interests of future peace. And there is perhaps no question which, in comparison with its intrinsic importance, has had so little careful and collective deliberation. No single conference can do more than make a first beginning in such a task, but the ultimate results are incalculable.

Other General Questions.

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

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

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

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

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

COMMERCE.

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

Liberty of Trading.

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

Customs Tariffs: A Simplified Nomenclature: Stability.

The Committee then took up the question of Customs tariffs, distinguishing between their form and their substance, *i.e.*, the actual amount of the import duties. As regards the question of form, the Conference unanimously recognises the desirability

of simplifying Customs tariffs as far as possible, creating a systematic Customs nomenclature the use of which would in due course be regularised by international conventions, stabilising Customs tariffs, thereby eliminating a disturbing factor especially harmful to industry and commerce, and finally ensuring the utmost fairness in the application of the duties.

Height of Tariffs : Commercial Treaties.

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

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

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

Other Problems of Commercial Policy.

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

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

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

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

Lastly, the Conference recommends States to consider the desirability of providing in their commercial treaties for the decision of disputed

questions of interpretation or application by arbitration or by a reference to the Permanent Court of International Justice.

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

INDUSTRY.

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

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

Rationalisation.

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

International Industrial Agreements.

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

The Conference therefore lays it down that agreements ought not to lead to an artificial rise of prices and that they should not restrict the supply to any particular country of raw materials or basic products or, without just cause, create unequal conditions between the finishing industries of consuming and producing countries or other countries similarly placed. Nor should they stereotype the present position of production or the distribution of industries.

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

Industrial Statistics and Information.

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

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

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

AGRICULTURE.

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

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

Methods of Organisation, etc.

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

Agricultural Credits, etc.

The credit difficulties in the way of agriculture, still so acutely felt in many countries, can only be surmounted by organising national credit institutions where they do not yet exist or

developing already existing institutions, with or without the assistance of the public authorities. The study of the question whether an international organisation capable of increasing the resources available for agricultural credits is or is not a practical proposition is recommended.

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

Protective Barriers.

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

Information.

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

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

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

Organisation.

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

CONCLUSIONS.

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

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

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

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

You have completed the first stage of laying down the principles; and in doing so you have been inspired by the great and fruitful idea of the interdependence of nations, and of the interdependence of the groups of which nations are composed.

At every stage in your discussions and on every page of your reports, the solidarity of mankind has appeared more obvious and more significant.

You have striven to make it easier for the masses to improve the material, and therefore the moral, conditions of their life. But your work cannot prove effective unless the peoples of the world themselves give to your recommendations the support of their interest and of their power.

If we are not supported by all those for whom we have been working, our endeavours will be unavailing.

Public opinion as a whole must understand not only the intrinsic importance of your work, but also, and above all, it must realise its strength, its utility and the vital importance which it must have for its well-being.

We have worked loyally together to secure economic peace, on which, indeed, political peace depends.

This Conference is an assembly of persons who have been brought into touch with realities — always harsh and often disappointing — but with realities in which truth, sooner or later, always prevails.

Our advice and recommendations will in all probability not be followed immediately on the scale we would desire. Great movements frequently experience many difficulties at the outset. But we are convinced that our work is based on true principles and on the determination to ensure to the best of our power both the peace and the prosperity of the world.

In coming here to Geneva in response to the appeal of the League of Nations, which truly interpreted the ardent desire for peace and reform cherished by all nations, we desired to undertake a beneficent task. To-day we have completed the first stage, and we may well be proud of what we have done. But we must not forget that our success will depend on the measure of our perseverance.

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

After the terrible calamity experienced by Europe, the results of which have been felt throughout the whole world, we cannot expect that order will be restored as if by enchantment.

But whether the fruits of our labours are gathered by ourselves or by those who succeed us, we are animated by the firm determination to unite our efforts to those of friends who share our hopes, our enthusiasm and our ideals.

We know that the time will come when mankind will be the happier for our work.

And that alone, ladies and gentlemen, will enable us to be proud of what we have done.

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After delivering the above speech, the President spoke as follows :

Ladies and gentlemen — Before the Conference closes, I have to offer you my warmest thanks for your kindness in affording me so much ready help in the accomplishment of my task as President. I should like to tell you how much I have appreciated it, and how gratefully I shall always look back on the co-operation you have afforded me. Since M. Loucheur has been kind enough to express on your behalf your thanks, which I am sure I have done little to deserve, let me avail myself of this opportunity, in order to express our gratitude to him and to remind you that it was he who took the first step towards the holding of this Conference.

Our gratitude is due first and foremost to the League of Nations itself, which convened the Conference, and to the Secretariat, which has once more carried out a great international work that is bound, I am confident, to bear fruit.

I venture on your behalf to offer my warmest thanks and congratulations more particularly to the Economic Section of the Secretariat of the League, which, with its unrivalled experience and expert knowledge, has spared no effort, under the very able guidance of Sir Arthur Salter, to ensure the success of the Conference, both in the course of the preparatory work and during the meetings themselves.

A tribute should also be paid to the staff of the Secretariat, which has worked tirelessly and

devotedly day and night, in order that there might be no delay in distributing the documents to the members.

The International Labour Office, represented at our Conference by its distinguished Director, M. Albert Thomas, also merits our grateful thanks. Both before and during our discussions it has continually afforded us its invaluable help.

An important part in the Conference has been played by some of the leading international organisations. Among those with which the League

would do well to co-operate on a more extensive scale I would mention in particular the International Institute of Agriculture and the International Chamber of Commerce, to which I have already referred.

Ladies and gentlemen, I declare the International Economic Conference closed.

The Conference rose and the session closed, at 6.50 p.m.