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**THE
WORLD SUGAR PROBLEM
1926-1935**

**BY
DR. VIRIATO GUTIERREZ**

**LONDON:
NORMAN RODGER
2, ST. DUNSTAN'S HILL, E.C.3.
1935**

X9(F68).1.N35

95

11152

PRINTED IN GREAT BRITAIN

BY

JOHN ROBERTS & SONS

SALFORD

MANCHESTER

Publisher's Note

Dr. VIRIATO GUTIERREZ, during the period referred to in this book, held an important position in the Cuban Government and Cabinet, at first as Secretary of the Presidency, and later as Senator of the Cuban Republic.

He was the chief Delegate of the Government and Sugar Producers of Cuba to the Conference of Sugar Exporting Countries, held in Brussels in 1929; President of the Co-operative Agency for Sugar Exports (Single Seller) of Cuba; Delegate of the Cuban Government to the Meeting of Sugar Producers supplying the United States market, held in New York in 1930; President of the Cuban Delegation which negotiated the International Sugar Agreement, signed at Brussels in 1931; Delegate to the World Monetary and Economic Conference, held in London in 1933; and President of the Cuban Sugar Stabilization Institute from 1931 to 1933.

Preface

Of all the primary commodities, sugar was the most intensely affected by the disturbances of the World War and of the period which followed it.

Sugar has also been subject, to a greater and more varied extent than any other commodity, to the experimentation of the new economic theories put forth as remedies for those disturbances.

It is likewise an unquestionable fact that in the initiation and practical application of those theories, the sugar producers and the Government of Cuba, during the Presidency of General GERARDO MACHADO from the year 1925, have played a predominant rôle.

The first attempts to apply restrictions to the production of an agricultural-industrial article like sugar were made by Cuba, which also initiated the early attempts to bring about an international agreement to effectively stabilize world sugar production, with the idea of substituting this system for the normal operation of economic laws.

Ten years of intense experimenting have passed, and during their course a considerable fund of valuable experiences has been accumulated. As history, in these economic questions advances with greater rapidity than it does in political matters, we believe that the time is now ripe to collect and classify those experiences, in order that those who take an interest in the study of economic science, may begin to analyse them with a calm critical spirit and to set forth the conclusions which may be useful to guide human action in similar cases which may arise in the future.

PREFACE

This simple purpose of assembling and classifying the materials so that others better able to do so and better prepared may study them and draw conclusions, is the reason for this book.

Necessity produces ideas ; experience purifies them ; good judgment selects that which is useful ; and in this way Humanity progresses.

It is now for economists to decide if the theories put forth to solve the problem of the over-production of primary commodities which has occurred during the post-war period constitute a positive step forward in the strides of human knowledge, or if they have only the value of a negative truth, that is, that they have been useless efforts.

V. G.

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PART FIRST.

General Considerations.

CHAPTER I.

The Economic Disturbances of the World War and their Repercussion on the Production of Basic Commodities.

The World War brought about a great disturbance of equilibrium between the production of many basic commodities and their consumption. Before the War, the production of these articles remained more or less in line with consumption, and although the former was constantly on the increase it was no less a fact that the latter also steadily augmented; there was a progressive and almost uniform increase in both which had the appearance of a normal economic phenomenon.

The War was waged in part in zones where certain articles were produced; these zones were either devastated or isolated, and consequently those articles either ceased to be produced there or could not reach the world markets. At the same time other regions, on account of their geographical remoteness from the points of greatest consumption and the decrease of the maritime shipping tonnage available, found it impossible to contribute their shares.

The immediate consequence of this situation was to cause stimulus and assistance of all kinds to be given in order that production of certain basic com-

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modities might rapidly be increased in those regions where nature made it possible to obtain quick results, and which were outside the radius or the disturbing influences of the War. This brought about very extraordinary increases in the output of both new areas of production and old ones, and these, to a considerable extent, became consolidated as created wealth of a permanent character.

With the return of peace, the wealth mobilized during the War, in the form of new accumulations of large capital, sought an outlet in all spheres of human activity, which caused a great flow of easy capital for enterprises of many kinds. Peace also brought with it the possibility of again exploiting those areas affected by the War, and as it was natural for men to do, those areas were again utilized for the same kinds of cultivation and production to which they had formerly been applied. At the same time the complete freedom of merchant shipping was re-established by the removal of the barriers created by war and by the application to the uses of commerce of the mercantile tonnage available in the world.

Those circumstances, namely, the abundance of capital, the effort to reconstruct former agricultural and industrial-agricultural production and the facilities of shipping, caused those areas to recover very rapidly their former levels of production. Moreover, these levels were soon exceeded as a result of the first manifestations of economic nationalism in the form of high customs duties and other kinds of stimulus to production.

Thus it resulted that, in the years 1922 to 1925, the nations were faced with the first symptoms, in

ECONOMIC DISTURBANCES OF THE WORLD WAR

some cases, and with the fully developed situation in others, of an excess of production over consumption of many basic commodities. That is to say, that although world consumption of all these commodities had considerably increased compared with that which existed before the War, and continued to increase each year, the world demand proved insufficient to absorb the combined production of the enormous increases stimulated by the War in certain zones, and the total recuperation, even augmented in some cases, of the zones affected by the War or by the difficulties of transportation.

This phenomenon, serious as it was, became afterwards intensified by the world economic crisis, which brought about the cessation of the normal increase of consumption in many cases, and in others an actual abnormal decline.

Some persons—economists, statesmen and producers—had an early intuition of the phenomenon or perceived its initial manifestations. They were the first to attempt, in the dark, arduous efforts to find a solution. It was then commonly thought that the old economic laws were inadequate to re-establish normal conditions in the field of production of the basic commodities with the rapidity that the circumstances seemed to demand. So there arose the modern ideas of applying to the field of production of the basic commodities the policy of artificial restriction of production, and of stabilization by means of international agreements.

CHAPTER II.

Critical Study of the Measures suggested for remedying Over-production.

I.—ISOLATED OR UNILATERAL RESTRICTIONS AND THEIR FAILURE.

It is evident that the first idea of the restrictionist policy had its origin in the strictly industrial field, and was transplanted from there, in its integrity, to the agricultural and industrial-agricultural fields, in which the production of primary commodities takes place. Perhaps in that complete transference, without previous and careful analysis, without alterations and variations, lies its inefficacy and failure.

That which had proved to be an economic truth in the strictly industrial field—since it is not possible for the factory to continue to produce the same one hundred units when it could only find consumption for seventy, for instance, and consequently the necessity of restricting its production—does not prove so when applied to the production of basic commodities essentially agricultural or industrial-agricultural. At the present time, after the past years of intense experimentation, it can be stated that the policy of isolated restriction, applied to the production of such commodities, is a complete failure.

The causes of this lack of success are very complex, but in a tentative form they might be divided, in accordance with their nature, into two large groups: one set of causes comprising those which originate in the very nature of restriction applied to that class of production, and the other, comprising those which might be called circumstantial, since, although of an

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external nature, they have by coincidence affected the results of that policy of restriction.

Let us examine them separately :—

1. The economic policy of restricting production is, as we have said, of typically industrial origin. A factory, which places in the market a certain kind of manufactured article, cannot lose sight of the course of consumption, and consequently of the demand for its products ; since in addition to the fact that an industrial article stored for a long time loses in value, on account of the constant changes and improvements in its manufacture and for many other technical and commercial reasons, every industry works with a reasonable capital or banking credit, but in no way unlimited, for which reason production without sale, that is, without consumption, implies the death of the industry from congestion. On the other hand, basic or primary commodities have a different origin ; they are agricultural or industrial-agricultural, and on account of this origin they are subject to very different economic principles.

These commodities are the exclusive patrimony neither of a manufacturer nor even of a country ; they are produced, as a general rule, in many and different parts of the world ; in some they are obtained at a lower cost than in others, but in all cases, whether on account of geographical reasons in relation to the markets, or when certain price levels are obtained, it is undoubtedly the fact that they can be produced.

In view of this multiplicity of sources of supply and the modern facilities of distribution, it is very difficult, if not impossible, to state, without falling into error, where the true cause of the excess of

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production, which is found to exist at a given moment, originates. And for the same reason, it would be unjust and also ineffective to apply the principle of restriction to the production of a single producing area or country.

The manufacturer who makes articles of a given brand knows exactly when their consumption increases or diminishes and when the markets are saturated; therefore he can apply with precision the logical corrective to his production, either restricting it or suspending it for the necessary period of time. But the same reasoning cannot be applied to the production of a particular basic commodity.

The producing country or area which tries to correct the excess of world production which has been ascertained to exist, by restricting its own production, will inevitably risk being displaced in the world markets in a definite way by the production of the other areas or countries which do not restrict.

What the world markets consume is a generic basic product at the lowest price obtainable, but not that harvested or prepared in a given region, because the basic commodities are not usually bought in the markets by reason of their origin, but by categories, which are technically equal for the purposes of the industry or of direct consumption, and by reason of their prices.

This is why, when a country or region restricts its production by itself, that is, alone, to bring about an equilibrium between world supplies and consumption, it may be that if the reduction is sufficiently great to influence the total supplies, it will probably for the moment produce the equilibrium, but surely

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the country doing so will have achieved it at its sole expense, since the other countries or regions will continue to produce at least the same quantities as before the sacrifice was made, and the country which restricted will not be able to occupy again its former position among those supplying the world markets. There must also be taken into account the psychological effect which the announcement of every isolated restriction produces on the other competing countries or regions, since every diminution in the production of a large source of supply, whether from climatic reasons or artificial causes, carries with it the perspective of better prices, and this is always an absolute stimulus for intensifying production. For this reason an artificial isolated restriction on the part of an important producing country or region of any basic commodity, has in practice the same effect as a severe drought or catastrophe, but with the added disadvantage that the phenomenon is announced with sufficient anticipation and certainty to permit the competitors to base on it estimates of increases in their plantings or harvesting.

It is evident that the policy of artificially restricting production, applied pure and simple in the field of the basic commodities, is, on account of the natural intricacies of the latter, fatal for the country or region which persists in carrying it out.

Theoretically, at least, the only article that could assimilate successfully the isolated artificial restriction of its production would be one which could only be produced in a very limited country or region of the world, but even in this ideal case, which to be sure is not the case of any of the most important agricultural or industrial-agricultural products, the practice of

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isolated restriction of production would encounter important enemies : in the exceptional contraction of consumption, in the prior utilization of the reserves, and, above all, in the appearance, in a longer or shorter period, of substitute or equivalent products.

It should also be recognized at this point, that a sharp and adequate restriction, carried out by a country or region having a large percentage of the total world supplies, might bring about an immediate stabilization with the reaction on prices, but this result would always be ephemeral and in the long run of disastrous consequences for the country or region which carried it out, by stimulating the production in other regions or countries and eliminating the former, in a measure proportional to its effective restriction, from supplying the world markets.

2. On the other hand, the production of basic commodities, especially after the War, has been, and is at present, directly influenced by the internal and external policy of the various nations. Under this general term we may include the causes which circumstantially have made the failure of the restrictionist plans even more complete.

In the first place, invoking reasons of a military character more or less real, it has been held that each country should have within its own borders, or within its immediate and certain sphere of action, either all or the largest possible quantity of its necessary supplies of basic commodities.

In the second place, it has been argued, setting forth reasons of an agricultural character, that certain crops, on account of the benefits which accrue to the general agriculture of the country, should be protected.

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In the third place, it has been contended, on the basis of social considerations, that certain agricultural industries of primary commodities, such as sugar, on account of the large number of people they employ, constitute a means towards solving the problem of unemployment, and for this reason should be assisted.

These arguments have been used for insisting upon the production of such commodities by means of State assistance or protection.

Simultaneously with this propaganda, the nationalistic economic policy, according to which each country should supply itself, not only with the basic commodities but also with all the goods it consumes, has taken on an extremely intense character and has even put into practice the most radical measures for achieving its objectives, without considering the costs which the national consumer must bear.

The combination of this recrudescence of economic nationalism and of propaganda of a pseudo-military, agricultural and social character, is responsible for leading the world into the orgy of protectionism which we have been witnessing during the past few years.

That circumstantial combination, at the time when the principle of industrial curtailment of production began to be applied to the field of agricultural and industrial-agricultural production, gave the coup-de-grace to the experiments of artificial restrictions of the basic commodities.

It is obvious that once the production of those articles had been commenced or intensified in countries which were ordinarily importers, by means of tariff walls out of all proportion or by high subsidies or

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systems of import quotas or permits, all artificial restriction of production in the exporting countries, or regions, would prove useless and could never be successful.

To summarize : The theory of artificially restricting the production of the basic or primary commodities in a single country or region of the world, as a means of stabilizing world production and consumption, essentially lacks an economic basis ; it will never attain in a stable way its objective, and on the contrary tends to produce serious and certain injury to the wealth existing in the country or region where it is isolatedly applied. It is, thus, one more of the many errors which have made their appearance in the course of history in the broad field of economic science. ..

II.—INTERNATIONAL AGREEMENTS TO STABILIZE PRODUCTION AND THEIR PRACTICAL DIFFICULTIES.

Do the views set forth above imply that the generic principle of restriction is entirely and absolutely inapplicable to the production of primary commodities ? It seems that the proper reply should be that they do not.

The fact that isolated or unilateral restrictions of basic commodities are anti-economic does not mean that this is also the case when they are carried out subject to certain special conditions.

In the field of theory, it must be recognized that an international agreement to which all the producing countries and those capable of producing adhered, the latter undertaking not to become producers and the former to restrict their production simultaneously in equitable proportions, would achieve the object of

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stabilizing production in relation to consumption and would consequently improve the prices of the basic commodity in question. But this theoretical statement, as is evident, implies the modification of the theory of a pure or unilateral restriction, through the addition of two fundamental principles, namely, of universality and equality.

These doctrinal ideas were surely the origin of the other theory, still accepted to-day, of international agreements or conventions between countries, or the producers of different countries, to bring about the stabilization of commodities of universal consumption. This theory tries to prevent the evils which the normal operation of economic laws produces in the necessary process to overcome the double crisis of an excess of production, and a decrease or stagnation of consumption which the world has faced in the last few years.

It is argued that production has increased suddenly and in a disproportionate measure, moving upward from the curve of its normal increase which ran parallel with that of consumption. The economic laws which might be called ordinary, prove impotent to overcome readily this extraordinary phenomenon of an abnormal rise in production. They would require too much time and they would produce, in the inevitable economic struggle which their operation involves, much destruction of wealth and the certain disappearance of all the weak producers. Successfully to control over-production, saving in the process all of the producers, it is essential to have recourse likewise to extraordinary measures. And the best of these measures is to bring about an agreement between all countries to stop the increase of production, and to lower stocks

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artificially and rapidly in order to bring them immediately to a level with consumption.

It must be admitted that this theory has at least a logical basis, from the commercial and industrial points of view, and even receives some support from economic science itself. A violent and rapid equalization of production and consumption would put a stop to the fall in prices and have a tendency to improve them, and would save the long years of ruin and misery which the normal operation of the classical economic laws naturally would produce until the desired stabilization was reached. But it is no less unquestionable that this theory requires certain basic conditions without which it cannot work satisfactorily. For this reason, we have spoken above of universality and equality.

In fact, in order that an international agreement on restriction should be theoretically perfect, it would be necessary that it should be adhered to by absolutely all the countries who are at the time producers or able to produce the basic commodity in question. It is not sufficient that the agreement be made between the exporting countries alone, as many have thought. If this is done, the other countries who produce but do not export, could increase their production to the point of becoming exporters, thus taking advantage of the higher level of prices created by the international agreement, or they might simply increase their production so as to cease being importers, and the countries who were not producers but were able to produce might start producing, all of which, in one case or another, would contribute to decrease the capacity of the free markets in which the commodity

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is sold by the exporting countries, thus defeating the stabilizing purposes of the agreement.

Moreover, the agreement must be built on a basis of strict justice, without which it would never be possible for it to endure, and this basis can only be found in the equality of sacrifices of all the signatories.

Any international agreement which departs from the above essentials, seems, at least in theory, condemned to failure, and on the other hand, if it complies with them, offers reasonable prospects of success. But then the question that has to be examined is : Can such conditions at any time be fulfilled in practice ?

An examination of the various attempts to conclude international agreements, and of those which have actually been concluded during recent years on commodities of universal use, leads to the discouraging conclusion that it is very difficult, if not impossible, to attain that degree of perfection which that theory requires, especially when dealing with articles which are produced or can be produced simultaneously in many parts of the world. There will always be reasons or pretexts for refusing to enter an international agreement, and there have always been and always will be countries or producers who will refuse to participate therein.

In the field of the national activities of any State, it is always easy to find effective means of a coercive nature to compel the reluctant producers to follow the course which benefits the majority; but in the field of the international community, effective compulsory methods have not yet been found to force unwilling countries to enter an international agreement. And if such is the world reality at this historic moment,

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there is no alternative but to admit that this modern economic theory of international agreements as a means of obtaining the stabilization of basic commodities, on account of its insuperable practical difficulties, proves to be, up to now, a real Utopia, as are so many other illusions or fantastic economic theories for bringing about the well-being of humanity.

Before concluding the study of the theory of international agreements, we should refer to certain forms, which, in spite of the great difficulties they offer, might perhaps prove practicable, even in case that all the producing countries, or those able to become such, should not adhere. Of course, there must be definitely discarded the possibility of attaining the objects of stabilization by means of international agreements, in which only the exporting countries are the participants. Experience has shown that this kind of agreement is entirely ineffective.

On the other hand, the possibilities of an agreement, in which all the importing countries participated, deserve careful examination. The phenomenon of disequilibrium between supplies and demand takes place and its effects are felt in the world's free markets, which are composed of the individual markets of all the importing countries. The markets which are closed by excessive tariffs, or by a system of quotas or import permits, are evidently excluded from this class. It therefore seems logical that an international agreement for stabilization entered into by all the countries which at the time make up the free markets for a given basic commodity, might influence some aspects of the world situation of the commodity in question, whether or not all the producing countries adhered to it.

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It is evident that the association of the consuming countries could do little to lower the prices, especially when the rise was due to a reduction of world production; but on the other hand it cannot be denied that it would certainly influence the supplies, whether the association was intended to help the similar national production or to secure regularity in supplies and in prices, all of which would result, if not in an excessive increase of the latter, at least in raising prices to a level which would cover the costs of production. In this sense it may be said that an international agreement, in which those countries which constitute the free markets fixed the conditions on which the suppliers of said markets should deliver their products, would certainly have the effect of compelling them, since if they did not submit to the conditions or rules established by the consuming countries, they would find themselves without markets. A convention in which clauses were included which expressly and definitely established sanctions to produce this result would undoubtedly be effective.

We should, however, point out that this class of stipulations, which would not be new in international conventions, requires the combination of very special circumstances in the importing countries which agreed to them, since it will always be more logical and natural that the increase of prices, by direct or indirect means, should be brought about by the association or confabulation of the producing countries, than by agreements among the consuming countries themselves. But as a real possibility in the field of the theory of international conventions, this case is mentioned here.

CHAPTER III.

The Effects of Economic Nationalism on Primary Commodities.

The disturbing effects of the World War on the equilibrium which generally existed between the production and consumption of the primary commodities have been increased and prolonged by the intensification of economic nationalism, due to its violent protectionist practices.

One of the first consequences of this world policy, to the predominance of which it is evident that the world owes the greater part of its present calamities, was to reduce the world free markets to an alarming extent. Each country or region which, as a result of excessive protection, has built up a new production, is a market which has been closed to the natural currents of world trade.

These protected productions always remain outside the sphere of action of economic laws, since the methods used by the prevailing nationalism, whether in the form of very high tariffs or systems of permits or licences, constitute real barriers which isolate and separate them from the rest of the world. A country which practises economic nationalism of this sort is a country which tends to disappear as a factor in world trade, since although it begins with a limited programme, there is really nothing to prevent it from reaching the point of saturation. Against this system, no economic defence or safeguards are possible. It is the predominance of force, which disturbs and destroys everything. The fact is that real monopolies are created in favour of a few privileged interests and

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against the great mass of consumers of those countries in which the system is practised. The antidote may be in the reactions of the people, since it is evident that such systems, whilst they encourage production, at the same time create exaggerated prices, in some cases many times higher than those which prevail in the free markets of the world, which must be borne entirely by the overburdened national consumer.

But it is evident that economic nationalism continues to prevail for the present in nearly all countries.

Another grave consequence of this economic policy is that it provides the protected producers with a terrible weapon against the non-protected producers in the struggle which takes place in the free markets. Here the latter, enjoying no artificial assistance, are obliged to compete, in quality and price, which must also be closely related to the costs of production, with the protected goods, which are sold in the free markets with the assistance of the excessive price which an important portion of the production enjoys in the protected market. Under these circumstances there is no doubt that the commercial struggle is carried on under very unequal conditions, with positive and at times enormous advantages in favour of the protected article.

This situation, which is extremely abnormal, might result in even greater disturbances in the production and trade of the basic commodities, by putting an end to natural economic production and keeping up costly artificial production having no reasonable economic basis to assure its continuity. But against the invasion of the free markets by this protected production, there is, aside from the possible revolt of

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the people who suffer the consequences of, and pay for this extravagant sort of economic nationalism, a restraint and a limit in the instinctive desires of profit of the privileged producers, since it is evident that the larger the quantity of goods sold in the free markets at prices lower than the costs of production, and sometimes much below, the greater will be the fall in the average price which each producer will obtain for his combined sales in the protected and in the free markets. This view is confirmed in practice, by noting the volume of exports of protected producers of many basic commodities in the last few years.

There seem, therefore, to be sufficient reasons to expect the effects of the nationalistic policy to become limited to the national or protected consumption, which will be, while this policy prevails, entirely supplied by the privileged producers. But this of itself is sufficient to keep up the disequilibrium which the War brought about between the production and consumption of the primary commodities. As a matter of fact, it is the case of a positive evil, against which there is no other remedy but that which may come from a radical change in the economic policy of States.

CHAPTER IV.

A Return to the Classical Economic Laws as the only Advisable Solution.

Having discarded the theories of isolated restrictions and of international stabilizing agreements as possible remedies for the situation of abnormal disequilibrium between supplies and consumption created by the War and intensified by protectionism, the world faces this disequilibrium having as its only weapons to overcome it the old postulates of economic science which, while they could not be denied, have nevertheless been cast aside on a secondary plane.

After all the fruitless efforts of the last decade to find new systems, it seems that the old principles are again occupying the preferential position from which they should never have been displaced. In fact, if the economic history of the world in the last few years is carefully observed, it can be found—in some cases in a clear and complete manner, and in others less distinctly but no less significantly—that in the inevitable collapse of the producers—except where they have not been directly attacked by protectionist measures applied in their natural consuming markets—the survivors are those who are able to reach the free markets, for one reason or another, in the best conditions to resist the lowest prices.

It is true that artificial measures, such as compulsory restrictions, have done something to reduce, in certain cases and in some countries, the collapse of the producers, but the incredible resistance of other producers, who have been able to withstand the enormous fall in prices in the free markets, retaining therein the

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positions which they had formerly held, has contributed more, in fact much more, than such artificial measures to limit this collapse.

It cannot be denied that the free markets have been shrinking, but this fact, the gravity of which must be recognized, does not fundamentally change the phenomenon which economists studied and solved by the laws of supply and demand and the survival of the fittest. In those markets, whatever may be their present capacity, economic laws continue to operate.

Countries or regions protected by impassable tariffs, by the system of quotas or import licences and the other innovations of economic nationalism, remain, of course, outside the influence of those laws, and they must be disregarded in future as world factors of consumption, that is, as importing markets. According to this view, in the free markets, which are those of interest from the standpoint of world economy, only those productions can continue to strive which are able to withstand the terrible competition which every over-production invariably brings about, that is to say, the productions coming from those producers who are in conditions to sell at the lowest prices, who will be those who receive the largest subsidies, and those best prepared by nature and by the combined action of science.

Those producers who cannot withstand the lowest level of prices should definitely or temporarily disappear. This is the eternal biological law of the survival of the strongest, acting in the economic field with its indomitable consequences. And it is also the only solution which experience and political economy combined recommend for the crisis of over-production.

PART SECOND.

The Case of Sugar.

CHAPTER I.

Cuban Sugar Policy.

Sugar is one of the primary commodities which perhaps suffered most severely during the past decade from the phenomenon of over-production. Cuba, the largest sugar-producing country in the world, in which that agricultural industry represents 80 per cent. of her economic life, naturally experienced the most violent effects from the enormous economic disturbance to which this commodity was subjected. For this reason, it is not strange that the Cubans were the first to attempt to find a solution for the disastrous situation which was foreseen.

To speak of the sugar policy of Cuba is to speak of the efforts which the world has made to stabilize the production of an important primary commodity during the past ten years, since it is undoubtedly true that Cuba has been during this period the initiator and leader of the world's sugar policy. An examination of the action followed by Cuba in the last decade permits us to divide the process into two perfectly definite periods: one extending to the crop of 1929-30 which was the last free crop, and the other beginning with the crop of 1930-31 and continuing to the present day.

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The first period is characterized by unilateral or isolated restrictions, and by fruitless efforts to obtain an international agreement between producers and a special agreement with the other areas supplying the American market.

As early as 1925 an eminent Cuban in the field of business began to work on this problem and recommended, as a solution of the crisis which he foresaw, the restriction of the sugar production of Cuba. At that time Cuba had passed the level of 5,000,000 tons and had shown that it had the cane planted and the factories to grind, without great effort, 6,000,000 tons. This pioneer was followed by other producers and soon the Government accepted the idea and put into practice the first restriction of the Cuban crop, which was made in the 1925-26 season.

It is only fair to recognize that the initiator of this idea had the clear intuition to understand that the unilateral restrictions of Cuba were not sufficient to overcome the world's sugar crisis, and immediately after recommending them, he undertook the more difficult task of bringing about an international agreement between the most important sugar producing countries, in order that all of them in a concerted effort might contribute to the stabilization of this basic commodity, by restricting their production "to a quantity proportional to world consumption." Perhaps, as often occurs in the case of inventors or initiators, this eminent Cuban, who undertook this labour, did not realize the extraordinary significance of his first efforts, but there can be no doubt that he wrote a notable page in the history of world economy.

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His efforts did not produce an immediate practical result since, although due to his personal action a preliminary convention between several of the most important exporting countries was approved in Paris in November, 1927, the fact that other important countries, and especially *Java*, did not adhere to it, made that agreement ineffective.

Cuba meanwhile had continued the policy of isolated restrictions and again restricted its crop of 1927-28.

A careful study of the world statistics of sugar production and the individual statistics of Cuba during this period shows perfectly clearly that the unilateral restrictions of the Cuban crops did not produce any appreciable result in improving the world sugar crisis, which was already in full development. The efforts of Cuba were not imitated by any other producing country, and, on the contrary, each one followed its own policy, producing as much as before, or even more.

It was then clearly evident that the sacrifices which Cuba was making by restricting her crops were tending to become permanent in character and that in the long run she would be eliminated from the free markets to the same extent as she restricted, while the other countries which did not restrict, would preserve and increase their shares in those markets. The clear understanding of these facts led the Government and the producers of Cuba definitely to abandon the policy of unilateral or isolated restrictions in the crop of 1929.

This change of policy was communicated to the League of Nations by the diplomatic representative

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of Cuba at Geneva, by means of the following official letter :—

“ Geneva, October 9th, 1928.

*“ Mr. Secretary-General : In accordance with the
“ instructions of my Government, dated the 27th
“ September, I have the honour to inform you, that
“ my Government has decided, with respect to the
“ production of sugar in its territory, to abandon in
“ future all restriction thereof and consequently to
“ leave the producers of sugar in complete freedom
“ to manufacture the quantities which they consider
“ advisable. I will be grateful if you will be so
“ kind as to communicate this decision to the
“ Economic Section of the Secretariat as well as to the
“ Economic Committee.”*

The new sugar policy which Cuba was to adopt was at the same time set forth in a Memorandum of the 17th September, 1928, which the State Department of Cuba addressed to the Secretary-General of the League of Nations, of which the pertinent parts are as follows :—

*“ The Government of the Republic of Cuba, sincerely
“ desirous of finding a solution of the crisis of the
“ sugar industry, has carried out the restriction of
“ the sugar production of Cuba and through its
“ Special Representative in Europe has reached
“ agreements tending to obtain this objective with
“ the representatives of the industries of Czecho-
“ slovakia, Germany and Poland. These agreements,
“ signed in Berlin in November, 1927, have not
“ given the results hoped for, perhaps on account of
“ the fact that some of their stipulations were not*

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“attainable, and above all because it was impossible to arrive at a world agreement between the producers of sugar. The Government of the Republic is nevertheless firmly decided to contribute to the efforts to procure a solution of the sugar crisis, which at present constitutes a world problem. Knowing the desire expressed by certain members of the League of Nations to consider the calling of an international Conference in order to examine the problem as a whole ; having abandoned the system of restriction of production, which would imply once more losses and sacrifices for certain producing States for the exclusive benefit of those countries which did not adhere to the international Agreement ; and convinced that the universal nature of the League of Nations would permit this international organization to deal more easily with this question and to obtain the desired results, suggests that in order to settle this problem, the League of Nations submit it to an international Conference. For this purpose the Government of the Republic of Cuba offers its decided collaboration to the League of Nations.”

Later on, from the 4th to the 6th of April, 1929, under the auspices of the Economic Committee of the League of Nations, a meeting was held at Geneva of experts of the sugar industries of Germany, Belgium, British India, Cuba, Czechoslovakia, Denmark, France, Great Britain, Hungary, Italy, Java, Poland, Portugal and Sweden. One of the results of this meeting was a private exchange of views between the representatives of a number of the above countries “for the purpose of bringing about unanimous action on the part of

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all the exporting countries in an effort to harmonize production with world consumption." It was resolved to consult their respective governments or industries and in the event of favourable replies to call a meeting urgently at Brussels.

Consequently, there was held in Brussels, from the 29th of June to the 4th of July, 1929, a "Conference of Sugar Exporting Countries," attended by representatives of Germany, Belgium, Cuba, Hungary, Poland and Czechoslovakia. The Cuban sugar industry in general as well as the "Association of Sugar Manufacturers of the Province of Santa Clara," which was the most important regional organization of Cuba, were represented at that Conference.

The joint Cuban Delegation, complying with express instructions of the producers and also of the Government, ratified the new policy proclaimed by Cuba, that she would no longer restrict alone and would only agree to make sacrifices which involved no further increase of her production, provided some sort of international agreement were reached to which the other producing countries adhered, and in which all of them, in an equitable participation, assumed the obligations which the conditions of world consumption should impose.

At this Conference an international stabilization convention was agreed to, in which, in view of the production effectively reached by the signatories, their respective exports were limited to the maximum which they had exported, while they also undertook to reduce their production in case that in any year of the agreement unexported or unconsumed surpluses remained. Cuba was recognized to have had a

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production of 5,200,000 tons, and she undertook not to export more than 5,000,000 tons.'

These efforts also came to no result, on account of the impossibility of obtaining the adherence of Java. But they were not entirely lost, since they served to prepare the ground, and either because the new ideas had gained acceptance, or because the crisis was becoming more intense, due to the first consequences of the nationalistic policy in the field of sugar, or because of the change of attitude in the sugar policy of Cuba and the amount of her free crop of 1929, which reached 5,156,278 tons, the fact is that during the last months of the year 1930, the state of mind among the principal exporting countries was favourable for reaching a convention to stabilize sugar production throughout the world.

Meanwhile the particular situation of Cuba had grown worse, on account of the intensification of the protectionist measures in the United States, its principal consuming market. This policy meant, as far as sugar was concerned, a tariff of 2.50 cents per lb., which was equal to the high duty of 2 cents per lb. for Cuban sugar. This last increase in the United States tariff after the previous increases to 1.60 cents in 1921 and 1.7648 in 1922 for Cuban sugar, was more than a simple policy of protection to the U.S. Continental production of beet and cane sugars; it was the certain death, in a short space of time, of the exports of Cuba to the United States, and, logically, the economic breakdown of the Cuban nation, with all its painful social and political consequences.

The Government and the producers of Cuba were aware of the grievous prospects and tried by all means

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to prevent the fatal consequences. They first tried, on the advice of the same eminent Cuban who had advocated the restrictions of production, the establishment of a "Co-operative Sugar Export Agency" or Single Seller to dispose of the entire Cuban production which was to be exported. But this plan had to be abandoned, principally on account of financial difficulties; and an attempt was afterwards made to reach an agreement with the producers who supplied the American market, as a preliminary step towards an international agreement between world producers.

With this object in view, on the initiative of the Cuban producers, a meeting of the producers supplying the United States market was held in New York on the 26th August, 1930. That meeting was attended by producers of beet and cane sugar of the continental United States, and of cane sugar of Puerto Rico and the Philippines, and by a representation of the Cuban producers and, at the request of the latter, a representation of the Cuban Government. The producers of Hawaii failed to attend.

The result of that meeting always seemed obscure, and although it was said for a certain length of time that its objectives had been obtained, and that, consequently, the producers who supplied the American market undertook as a moral obligation not to increase their production in order to permit Cuba to supply the American market with a minimum of 2,800,000 tons annually, the fact was, as events afterwards proved, that the aforesaid protected producers, either because they disregarded their moral undertaking, or because they did not consider themselves bound in any way, continued without restraint to increase their

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respective production, anxious to enjoy the advantages which the new enormous tariff of 2 cents per lb. offered them.

The second period of Cuban sugar policy comprises : The negotiation of the International Agreement signed at Brussels on the 9th of May, 1931 ; the efforts made at the "World Monetary and Economic Conference," held in London in 1933, and at the subsequent Preliminary Sugar Conference, which also met in London, in March, 1934 ; and the inauguration of the new commercial relations between Cuba and the United States of America, in connexion with the recent sugar policy carried out by the latter country.

After having taken that first step in the United States, the Cuban producers again requested the co-operation of their Government, in the form of internal guarantees, towards the plan which they had projected for bringing about an international agreement, which in view of the preliminary work which had already been done and the aggravation of the sugar crisis, then appeared as a real possibility. The Cuban government once more gave its full and effective assistance to the producers, first recommending to Congress the legislative measures which they proposed and carrying them out after they were approved by Congress.

Once this legislation had been passed and the first preparatory measures of the plan put into effect, among the most prominent of which were the segregation of the surplus sugars then existing, by means of a financial operation guaranteed by the State, the Cuban producers proceeded to Amsterdam and

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Brussels in November, 1930, where the negotiations took place which culminated in the Sugar Agreement signed at Brussels in May, 1931, by the representatives of the sugar industries of Germany, Belgium, Cuba, Czechoslovakia, Hungary, Java and Poland, and to which, a short time afterwards, Peru and Yugoslavia adhered.

The obligations assumed by Cuba under this Agreement have been strictly complied with, even to the extent of restricting, in an excess of zeal, her crop of 1935, without being compelled to do so.

But as the Agreement, on account of its intrinsic deficiencies and the non-adherence of the other producing countries, was proving ineffective to obtain its objectives, Cuba tried to use the opportunity offered by the "Monetary and Economic Conference" held in London in 1933, to reach a new agreement between all the producing countries, which would remedy the deficiencies of the existing Agreement. No effective results were obtained from this attempt; it was another effort lost.

Later on, as a consequence of the action taken at the "Monetary and Economic Conference," a "Preliminary Sugar Conference" was held in London in March, 1934, attended by the representatives of the countries party to the Brussels Agreement (except Germany), of Great Britain, and of the United States of America. But at this meeting no progress was made towards the solution of the world sugar problem.

Such has been the sugar policy of Cuba during the last decade.

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We believe that all these efforts cannot be considered as total failures, and, on the contrary, we think that they have supplied a valuable fund of experience which, if properly interpreted and applied, will furnish effective assistance to the sugar producing countries, as well as to the producers of other primary commodities.

Cuba at the present historic moment enjoys a favourable situation, as a result of her sacrifices to preserve the share of the free markets which she had won and of her new relations with the United States. Her future as the principal sugar producing country depends on her ability to assimilate the teachings of the past.

The new sugar policy of the United States of America, which assigns quotas to its different areas of supply, and the new commercial Reciprocity Treaty made between that country and Cuba, place (if only temporarily) a limit to the expulsion of Cuban sugars from the American market. By reason of both these measures Cuba can ship annually into the United States approximately 1,700,000 long tons of sugar. And this part of the Cuban crop, as a logical consequence, will be sold at a reasonable price in the protected market of the United States.

But Cuba remains free to continue to struggle with the balance of her production in the free markets; and it is here that she should apply the painful experiences of the past years, and also the lessons derived from the methods followed in similar cases by other countries. It is true that the free markets have been steadily shrinking to a considerable extent during

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recent years, but it is no less true that the largest reductions have been taking place in regions which are not direct purchasers of Cuban sugar. Nevertheless, even if this phenomenon were not so, it should not change the possible future policy of Cuba. While there is a possibility of selling sugar in the free markets, Cuba should struggle to sell her sugars there. The geographical and climatic conditions of Cuba make that Island the country best suited to produce sugar cheaply, and precisely for this reason, Cuban sugar should prove victorious in the struggle which daily takes place in the unprotected markets which still remain in the world. If the nations continue headlong in their policy of economic nationalism and eventually the capacity of the free markets is reduced to a single ton of sugar, that ton should be made and sold by Cuba. To propose now to limit the production of sugar in Cuba for the free markets would be as serious an error as the first unilateral restrictions made by Cuba. Experience has shown us that the free markets depend on the free play of the law of supply and demand and the survival of the fittest, and that artificial remedies are perfectly ineffective.

Cuba, at the present time, is the country best able to produce and sell sugar in the markets of the world.

CHAPTER II.

The Conference of Exporting Countries at Paris, November 11-14, 1927, and the first Attempts to conclude an International Sugar Stabilization Agreement.

After the first two restrictions of production in Cuba, the eminent sugar producer who had advised them, Colonel JOSE MIGUEL TARAFÁ, undertook the more difficult task of convincing the other sugar exporting countries of the world to agree to make an international convention to equalize production and consumption, that is, an agreement which would stabilize world sugar production.

His first efforts were directed to persuading the Cuban producers and especially the then President of the Republic, General GERARDO MACHADO, of the merits of his ideas. The restrictions already made in the Cuban crops were not sufficient by themselves to bring about a world stabilization. His clear intelligence could not fail to perceive that it was necessary to do something more, that other countries should be induced to follow the policy of restriction which he advocated. He thought, however, that to produce the result of stabilization, it was sufficient to obtain an agreement between the exporting countries alone.

"The first and most imperative step" said Colonel TARAFÁ, "was to obtain an agreement between all the countries which export sugar to the world markets. Once this has been achieved completely, or as far as possible, and bearing in mind that the whole sugar

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industry of the world has an interest in the matter, efforts should be made to maintain the status quo of the sugar production of those countries in which the industry is protected by high duties, since it is evident that the co-operation of those countries will be of mutually incalculable benefits, and of great efficacy to secure our objectives. For instance, if the beet sugar industry of the United States and the cane sugar industry of Puerto Rico, Hawaii and the Philippines sold their sugars gradually and in proportion to the annual consumption, Cuba might also make her sales in the same form and in this way the stabilization which does not exist to-day in the American market would be obtained, which is not possible as long as everyone tries to sell in six months a supply which takes twelve months to consume."

As can be seen, Colonel TARAFÁ did not consider the participation of the producing countries who were not exporters as essential to the World Agreement, although he regarded their co-operation as useful. Moreover, according to his statements, in his enthusiasm he did not consider either that the adherence of all the exporting countries was absolutely indispensable. He was satisfied if only the most important ones were included.

The immense majority of the Cuban sugar producers accepted the ideas of Colonel TARAFÁ, and so did the President of the Republic, who supported them with his dynamic and executive action. Thus invested with the double character of the personal representative of the President of the Republic and of the national sugar industry, Colonel TARAFÁ carried on active negotiations with the various European countries which

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produced and exported sugar, which culminated in a meeting of the representatives of Czechoslovakia, Germany, Poland and Cuba in Paris, from the 11th to the 14th of November, 1927. At this important International Conference, the first of its kind in the world, the following agreements were adopted, and were later ratified at a subsequent meeting in Berlin, on the 30th of November, 1927 :—

“ Resolutions adopted at the Conference of Sugar Exporters in Paris, from the 11th to the 14th of November, 1927 :—

“ The Conference is aware of the measures adopted by Cuba during the last two years, approximately, with the object of restoring the balance between the sugar production and consumption of the world markets, unbalanced by the War, and the Conference takes pleasure in expressing its sincere gratitude to General GERARDO MACHADO, President of said Republic, to whose initiatives was due the promulgation of the Law of October 4th, 1927.

“ The Conference recognizes that, aside from other reasons, the continued increase of the sugar production of the world during the last two years is a threat to the world sugar industry, because the present consumption cannot absorb the production now taking place, as in previous years such threat was caused by the intense production of Cuba.

“ In order to find a solution to this situation and to prevent a crisis in the future, the Conference resolves :—

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“ 1. The examination of the general situation
“ proves that sugar is being produced in the world
“ in a quantity which exceeds the requirements of
“ consumption. Consequently, the representatives
“ of the sugar industries of Czechoslovakia, Poland
“ and Germany unanimously agree to co-operate,
“ from now on, with Cuba, using all their power
“ and goodwill to that end, and maintaining a close
“ and friendly contact with each other, in order to
“ make production proportionate to consumption.

“ 2. To obtain this objective the representatives
“ of the organized sugar industries of the aforesaid
“ countries, and the President of the Cuban National
“ Commission for the Defence of the Sugar Industry,
“ engage themselves individually and jointly to take
“ all the steps and adopt all the measures for
“ requesting and obtaining the co-operation of those
“ countries which are at present exporters of sugar,
“ or which may become so in the future.

“ 3. As the present Conference has taken place
“ at a time too late to adopt measures for regulating
“ the production of beet sugar for the year 1927-28,
“ the organized sugar industries here represented
“ undertake to give their co-operation in the
“ following manner :—

“ (a) With respect to the year 1927-28, the
“ delegates of the organized sugar industries of
“ Czechoslovakia, Germany and Poland, undertake
“ to make the greatest effort in order to increase
“ their respective home consumption, so that the
“ quantities of sugar which should be exported
“ should reach the lowest possible level.

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“(b) With respect to the year 1928-29 the
“representatives of the organized sugar industries
“of Czechoslovakia, Germany and Poland, under-
“take, firmly and positively, to regulate their
“respective plantings in accordance with the con-
“clusions reached during the present Conference,
“which has recognized, in a form which excludes
“all doubt, the necessity of reducing production to
“a quantity proportionate to world consumption,
“provided Cuba limits its production of 1927-28
“to four million English tons. It is understood
“that the increase of home consumption in each
“of the contracting countries can be taken into
“consideration.

“4. The authorized representatives of each of
“the contracting sugar industries, as well as the
“other sugar industries which by that time shall
“have decided to enter this convention, will meet
“in the middle of the month of October in a city
“in Europe, which will be fixed at the opportune
“time, in order to again examine the statistical
“position. Before that meeting, Cuba, being the
“largest producer of sugar, shall submit a proposal
“in writing, stating the quantities which in her
“opinion should be retained in each country, or
“withdrawn from the market, out of the quantities
“available for export during the crop year 1928-29,
“with the object of equalizing, in case it were
“necessary, the supply and the demand.

“The Conference of October, 1928, shall have
“to decide regarding the proposal of Cuba, and
“with respect to what disposition shall be made of
“any surplus, if such were estimated to exist. In

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“ this case, the surplus might either be placed in
“ the hands of an International Company which
“ would be established under the auspices of all the
“ interested parties, or might be deducted from the
“ production of the following year 1929-30.

“ It is agreed that the statistics of the world
“ situation and the prospects of production for
“ 1928-29 shall be examined at the October Confer-
“ ence. If the Conference should recommend or
“ decide, as mentioned above, either to place the
“ surplus in the hands of the projected International
“ Sugar Company, or to withdraw said surplus from
“ the market, Cuba shall contribute to the general
“ sacrifice with a part somewhat greater in pro-
“ portion than the other countries.

“ 5. With the object of continuing the work of
“ the Conference and especially in order to be
“ informed in an exact and certain manner of the
“ statistics of world sugar production and the course
“ of consumption, a Permanent Committee, con-
“ sisting of two representatives from each of the
“ contracting industries, shall be established. The
“ Committee will appoint two recognized European
“ statisticians to assist it in its work. The Committee
“ shall inform the Conference of October, 1928, on
“ the general situation. The expenses of this Com-
“ mittee, as well as those of preparing the statistics,
“ shall be paid by the contracting industries in
“ proportion to their exports, but the exports of
“ Cuba to the United States of America shall not
“ be taken into account. Nevertheless, Cuba will
“ pay fifty per cent. of the total expenses of the
“ Committee during the first year.

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“The representatives of the sugar industries which have entered into agreements at the present Conference are obliged to reserve the approval of their undertakings by their respective organizations, which ratification shall take place not later than the 30th of November of the current year. The ratification on the part of the German sugar industry will only be possible if a new export organization is established. The representatives of the German sugar industry will use their influence to obtain the approval of their undertakings by their industry.

“(Signed). *German delegates* : E. RABBETHGE, G. BREDT, C. WENTZEL, K. HAPPACH, B. SEELIGER, Dr. A. BARTENS.

“*Polish delegates* : J. ZYCHLINSKI, T. DRZAZDZYNYSKI, J. ZAGLENIEZNY, S. LUBIENSKI, B. MIKULSKI, K. SACHS, S. KOZLIKOWSKI.

“*Czechoslovak delegates* : H. CRON, J. HARTMANN, R. MANDELIK, F. SCHINDLER, F. ELBOGEN, O. BROD, F. BAUER, Prof. BRDLIK.

“*Cuban delegate* : J. M. TARAFÁ.

“*Secretary of the Conference* : Dr. G. MIKUSCH.”

It must be recognized, whatever judgment may be passed on the literal terms of the Paris agreement, that the action of Colonel TARAFÁ, carried out on behalf of the President and of the sugar industry of Cuba, had an exceptional importance in the annals of world economic negotiations in the period after the Great War. His efforts gave world prominence to the theory of international agreements as a remedy for the disturbances brought about in the primary

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commodities by the War and created favourable hopes for the success of this solution. This merit can never be denied to Colonel TARAFÁ nor to President MACHADO, nor to the Cuban sugar manufacturers who supported them.

The Belgian producers adhered to the Paris agreement on the 26th of December, 1927. On the other hand, the Java producers, whom Colonel TARAFÁ made every effort to convince, replied simply with amiable and vague phrases, but postponed all effective action. The position which they adopted in those critical moments is well shown by the following letter which the President of the Java Trust wrote to Colonel TARAFÁ :—

“ *Amsterdam, November 25th, 1927.*

“ Colonel J. M. TARAFÁ, Amsterdam.

“ My dear Colonel,

“ Now that our discussions in relation to the
“ situation of the sugar industry, and world over-
“ production and consumption have ended, I wish,
“ before all else to ask you to be so good as to
“ transmit to the President of the Republic of Cuba,
“ General GERARDO MACHADO, in my name and in
“ the name of my colleagues of the Vereenigde Java
“ Suiker Producenten, the expression of our very
“ sincere gratitude for the initiative taken with the
“ Law of October 4th, 1927, and for having appointed
“ you as his delegate to confer with us.

“ I am convinced that the manner in which we
“ have been able to explain and discuss our respective
“ points of view has left a basis for a mutual under-
“ standing between the producers of Cuba and Java,

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“ which understanding might have great importance
“ in the future.

“ The conclusion at which we mutually arrived
“ was to remain in close contact with each other,
“ and to continue our co-operation insofar as our
“ mutual interests permit. It is our mutual intention
“ to meet again next year. I hope that on that
“ occasion, we may again be able to extend to you
“ our welcome as delegate of Cuba, and I remain,
“ dear Colonel, very sincerely yours,
“ (*signed*) F. P. J. VESTER.”

It is not necessary to say that this negative attitude of Java, the second sugar exporting country in the world, nullified the efforts of Cuba and of Colonel TARAFÁ, thus destroying the possible results of the Paris conference.

The international agreement of sugar exporting countries obtained by Colonel TARAFÁ, died at its birth: this fact must be recognized. And all the efforts which were made to revive it, and furthermore the fulfilment on the part of Cuba of the obligation which she had assumed of restricting her crop of 1928 to four million tons, were useless labours and sacrifices, only justified by the enthusiasm of the originator of these ideas, Colonel TARAFÁ, and by the excessive good faith of President MACHADO.

An examination in detail of the Paris agreement shows that it firmly denounces the evil of over-production of sugar, that it sets forth as the remedy the balancing of production and consumption, that is, stabilization, and that it proposes as the means of achieving this object, the artificial measures of restric-

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tion of production, the segregation of surplus stocks and the stimulation of consumption. But it must likewise be recognized that the Agreement appears, as a whole, somewhat obscure and indefinite, which would have proved a source of difficulties and, consequently, a cause of ineffectiveness in its application.

The only well-defined obligation which it contained was the undertaking by Cuba to restrict her production of 1927-28 to 4,000,000 long tons. Besides the Agreement placed on Cuba other possible obligations, always in greater proportion than those which were foreseen for the other signatories or adherents. And it also repeated the error, very firmly fixed in the minds of many persons, that Cuba was the country directly responsible for the world over-production of sugar. It is to be regretted that this statement, even with reference to the past, should have been inserted in that document. We should here say, emphatically, that such an imputation is not correct.

The intense production of Cuba was due to the needs of the European War, and the world over-production of sugar became alarming in 1925-26, precisely when the European countries again reached the maximum of their pre-war production and when the Java crop was reaching its highest figures. The total made up of the increased production of Cuba, the re-constructed production of the European countries, and the new enormous production of Java, are the factors which brought about the world over-production of sugar. Why then place the responsibility directly on Cuba? Which was the most to blame among those countries contributing to the increase of world production?

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Under the influence of that mistaken belief, Colonel TARAFÁ urged and obtained the isolated restriction of the Cuban crop in 1926 and 1927, and that of 1928 as well. According to his view, as Cuba was responsible for the over-production, she should be the one to restrict. But very soon the economic reality showed the error of that opinion, for the restrictions of Cuba did not solve the problem of world over-production. And they did not solve it for the simple and only reason that Cuba was not the only country which was causing the evil.

All the considerations set forth in Section I of Chapter II of the First Part of this book are directly applicable to the case of sugar, and show, beyond doubt, the error of isolated or unilateral restrictions of the primary commodities, such as sugar, precisely for the reason that it is not possible to point out, in that class of production, as the real source of the evil, the more or less augmented production of one particular country.

CHAPTER III.

The Action of the League of Nations on the Sugar Problem.

Whilst Cuba had taken the initiative and made every effort to find a solution to the grave crisis which was already being felt in the world's sugar production, to which fact we have referred in the preceding chapters, the League of Nations began to lend its valuable co-operation to the study of that great question, the world-wide importance of which was becoming every day more evident.

In May, 1928, the Economic Consultative Committee recommended that the Council "invite the Economic Organization of the League to undertake a thorough study of all factors and measures influencing the production and consumption of sugar and the international trade therein," and suggested that "a report be made to the Council, in order that the latter may be able to judge whether concerted international action could further the solution of the problem under consideration."

Subsequently, in June, 1928, the Council of the League of Nations referred the question to the Economic Committee with the request that it should place these recommendations on the agenda of the next session "so that it can at once go forward to consider them as far as it may think advisable and practicable."

The Economic Committee complied fully with the request of the Council and after receiving a large amount of documentary material through its own members, from various national sources, from the

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Secretariat of the League of Nations and from the International Agricultural Institute at Rome; after obtaining detailed studies especially prepared by the eminent sugar statisticians, Dr. H. C. PRINSEN GEERLIGS, Messrs. F. O. LICHT and Dr. G. MIKUSCH, and having had an oral consultation with experts representing the manufacture and refining of sugar and with experts representing the beet growers, issued a well-documented report dated July 4th, 1929.

In this report, the Committee began by ratifying the points of view which it had expressed six months before, that is on the 9th of January, 1929, namely :—

“ That the present situation of the sugar industry throughout the world is essentially due to a lack of equilibrium between production and consumption. Hence, the natural conclusion is that, to re-establish equilibrium, either an attempt must be made to increase consumption, or production must be reduced, or both solutions must be sought.

“ It is questionable whether it would be consistent with the role of the League of Nations to take any action with the object of checking the natural development of production, i.e., of preventing expansion resulting from the free play of economic forces.

“ The development of world production, however, is partly the result of artificial measures of various kinds for which States are mainly responsible.

“ An examination of the problem from this point of view would certainly be of great value, as would also a study of the possibilities of increased consumption.”

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The report then sets out the general character of the difficulties through which the industry had been passing, and concluded with the provisional conclusions reached by the Committee concerning possible action by the League. In order that the work and conclusions of the Economic Committee may be adequately explained, it seems advisable to reproduce below the last two sections of said report :—

“ IV. SUGGESTED SOLUTIONS.

“ Before recording the suggested solutions which were
“ discussed by the experts heard, we desire to emphasize
“ once more the essential character of the crisis from which
“ the industry is suffering. The consumption of sugar is
“ increasing with unusual rapidity and the demand for
“ this product is such that conditions of exceptional
“ prosperity might have been anticipated. In fact the
“ industry is being conducted in many areas at a loss.
“ This loss is due to a persistent excess of production
“ caused, in the first instance, by improved methods of
“ cane cultivation, in the second by the determined
“ endeavour of beet-producing countries to maintain or
“ even to expand their output in the face of the greater
“ natural advantages of their rivals.

“ In view of this state of affairs, it was to be expected
“ that the proposed remedies should be directed towards
“ restricting production or further stimulating demand.
“ The proposals actually put forward may be summarized
“ as follows. It was suggested :—

“ 1. That an international agreement between all
“ important producers or alternatively between producers
“ in exporting countries, should be arranged with a view
“ to stabilizing production for a few years.

“ 2. That an international agreement between all
“ exporting countries and those likely to have an export
“ surplus in the near future, should be arranged with a
“ view to a concerted and rational policy of sale.

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“ 3. That a concerted endeavour should be made
“ to augment the sale and use of sugar by means of
“ active propaganda, more especially in Eastern and
“ tropical countries,

“ 4. That the possibility of increasing consumption
“ by lowering excise duties without reducing receipts
“ from this source of taxation should be carefully con-
“ sidered by Governments.

“ 5. That a central bureau for the collection and
“ dissemination of information should be established.

“ The majority of these proposals failed to receive the
“ unanimous support of the experts we heard. There was,
“ on the other hand, almost complete unanimity in the
“ strongly expressed opinion that the principles of the
“ Brussels Convention of 1902 could not with advantage be
“ applied to the present situation. Further, the suggestions
“ which we have summarized above took, in several
“ instances, various alternative forms.

“ 1. Thus the desirability, not of stabilizing, but of
“ curtailing production was discussed, though finally
“ rejected. The majority of the experts held the opinion
“ that a stabilization of production for three or four years
“ at its present level would, in view of the natural growth
“ of demand, restore the industry to a profit-making basis.
“ Again, certain experts considered that such stabilization
“ could only be effected if all important producing countries
“ co-operated. Others, however, believed that an agree-
“ ment between the major exporting countries should
“ suffice, while one witness suggested that two separate
“ agreements should be made, the one between cane- and
“ the other between beet-producing countries.

“ There was general agreement that, for the arrange-
“ ment of any understanding between producers intended
“ to affect output, Government intervention, though
“ believed by some to be eminently desirable, was not
“ indispensable.

“ Into the possible form of an understanding of the
“ general character contemplated we do not consider it
“ necessary to enter. We believe that if the industry

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“ desires to take concerted action with a view to preventing
“ a disturbing surplus of supplies it is fully competent to
“ do so without external aid. As we stated in April last,
“ we do not desire to ‘assume any responsibility or take
“ any initiative in this matter.’ We note, however, that
“ a policy of reducing output is not contemplated in any
“ quarter and that, since an agreement of only relatively
“ short duration is proposed, the interests of the consumer
“ are not likely to be threatened. We shall, however, not
“ fail to keep this aspect of the problem constantly before us.

“ 2. International action with a view to a united sales
“ policy was not considered generally to constitute by
“ itself any adequate solution of the problem. The majority
“ of those who supported the proposal added that, while
“ it might help to reduce waste in marketing and might
“ even render some control of prices possible, stable
“ conditions could not be established if production were
“ allowed to expand without limit.

“ As a rider to the general proposal, it was further
“ suggested that the central selling agency might endeavour
“ to support the prices at which the bulk of the supplies
“ were sold by placing some portion of the year’s output
“ below cost price in markets where sugar was at present
“ but little used. By this means it was hoped that it might
“ prove possible at once to dispose of the surplus and, by
“ gradually extending the habit of sugar consumption, to
“ open up new markets.

“ It was emphatically asserted by some experts that
“ the full co-operation of the main distributing centres was
“ an indispensable condition for the successful operation
“ of both a producers’ and a sales agreement.

“ The whole of these proposals were, however, strongly
“ criticized by others on the grounds that no single office
“ could replace the intricate organization which had been
“ built up for the transport and sale of sugar, that the
“ multiplicity of grades of beet sugar and the special
“ requirements of individual markets rendered centraliza-
“ tion impracticable, and that the disappearance of the
“ future market which must result from a selling pool would

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“introduce a new cause of disturbance and risk into a market already extremely sensitive.

“3. Those experts who were unwilling to accede to any international agreement amongst producers laid special emphasis on the possibility of promoting sales by wide-spread propaganda. It was not, however, wholly evident to what extent this contemplated advertising campaign was looked upon as a definitive cure of existing ills.

“4. All were agreed that it was desirable that Governments should consider whether it might be possible to assist at once the sugar industry and their own budgetary position by lowering the rates of excise duties.

“5. On the proposal to establish a central bureau of information, opinion was somewhat divided; for, while all agreed that the spread of information was in itself desirable, it was maintained by some that adequate machinery already existed.

“V. CONCLUSIONS.

“On these proposals we desire to limit ourselves to the following general observations :—

“1. The difficulties with which the industry is at present beset are such as can, to a large extent, either remedy themselves or be remedied by those responsible for the conduct of business.

“2. We do not consider, therefore, that we are called upon to express any view concerning the relative merits of the various proposals for purely private action which have been put forward.

“3. Though it is true that the majority of the experts—representatives both of industry and of agriculture—were of opinion that in existing circumstances the conclusion of a Convention between States, based on the principles of the Brussels Convention, would not be likely to provide a solution for the crisis, all were agreed in recognizing that the difficulties have been accentuated by the measures taken in many countries to stimulate the production of sugar, without consideration of the effects of their unco-ordinated action on the world situation.

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“ 4. It is possible that action by producers in accordance with an agreed plan might render superfluous some of the artificial measures by which the sugar industry benefits in certain countries. Should that be so, the time might have come for the States concerned to submit the regime they have established to encourage the production or sale of sugar to a fresh examination, giving due regard to the essential interests of agriculture ; and, should they find themselves unable to modify this regime without other countries acting similarly, to make known their views in regard to the taking of joint action.

“ 5. The Economic Committee will continue to watch carefully the further developments of the sugar question in order to be in a position to furnish the Council at any moment with information enabling it to ‘judge whether concerted international action could further the solution of the problems under consideration.’

“ 6. Finally, we venture to suggest to the Council that the attention of Governments should be drawn to the desirability of ascertaining whether there is any possibility of lowering their excise duties on sugar, without adversely affecting their fiscal position.”

It can be seen that the Economic Committee reached somewhat ambiguous conclusions concerning the possible solutions of the world sugar crisis, perhaps due to its scruples with regard to the competency of the League of Nations to frankly recommend certain measures. At times it seems as though the Committee perceives the remedy in the free play of the economic laws, especially in those of supply and demand ; this belief is borne out at least by the “first” conclusion, when it is stated that the difficulties of the industry are of such a nature that they could, to a large extent, remedy themselves, or be remedied by those responsible for the conduct of business. And at other times, as one is led to believe by the “fifth” conclusion, it appears

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that a certain amount of credit is given to the theory of international agreements, as a remedy for the crisis of the sugar industry, as evidently the term "concerted international action" has reference to such agreements.

It is to be regretted that the Committee, having had at its command such a large amount of information, should not have had the courage to set forth more definite conclusions. It should however be recognized that preparation and study are not by themselves sufficient, especially in economic questions, to anticipate the teachings of experience. Perhaps, to-day, if the Committee should again study the sugar question, it might arrive at categorical and well-defined conclusions.



CHAPTER IV.

The Conference of Producers of the Sugar Exporting Countries, held at Brussels in June/July, 1929.

The work of the Economic Committee of the League of Nations, which has been described in the preceding chapter, brought together at Geneva many experts of the sugar industry. The representatives of the majority of the exporting countries took this occasion to exchange views on the sugar problem and its possible immediate practical solutions. These conversations took place from the 4th to the 6th of April, 1929, and resulted in the following proposal :—

“ In an interchange of views between the experts
“ of the sugar industries of the Republic of Cuba,
“ the Republic of Czechoslovakia, the Republic of
“ Poland, the German Republic, the Kingdom of
“ Hungary, and the Kingdom of Belgium, the
“ following was proposed :—

“ The above-mentioned countries shall form a pool
“ from the quantities of sugar produced by them not
“ destined for their home consumption.

“ In case countries which are not parties to this
“ pool should practise the policy of dumping to the
“ injury of the interests of the signatory parties, the
“ latter shall attack them in those countries which
“ constitute their natural markets. The sacrifice which
“ may result shall be borne by each country in pro-
“ portion to its interest in the pool, either in money
“ or in kind.

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“The object of this proposal is to oppose every attempt to depress the world price of sugar and to bring about a unanimous front of all the exporting countries in an effort to harmonize production with world requirements.

“The experts of the industries of the above mentioned countries shall submit this proposal to their Governments or to their industries, and shall communicate the results thereof to the Belgian delegate, at the latest on the 1st of June, 1929, who will call a meeting in Brussels as soon after this date as possible. (Signed) LUCIEN BEAUDUIN, ERICH RABBETHGE, LUIS MARINO PEREZ, JOSEF ZYCHLINSKI, JOE HARTMANN, ALBERT HIRSCH.”

The stipulation in the last paragraph of the above agreement was the immediate cause of the Conference of Sugar Exporting Countries held at Brussels from the 29th of June to the 4th of July, 1929. This Conference took place under the best auguries, having the benefit of the experiences of the efforts which had been made during the two preceding years and of the work and studies which the League of Nations had just carried on. The producers of the following countries were represented, namely: Germany, by ERICH RABBETHGE, BREDT, PIKURITZ and B. SEELIGER; Belgium, by LUCIEN BEAUDUIN, LEO KRONACHER, PAUL DESCAMPS, ERNEST OUBY and YVES DELACROIX; Cuba, by VIRIATO GUTIERREZ, LUIS R. DE MIRANDA, LUIS MARINO PEREZ, and JORGE DE ONA; Hungary, by ALBERT HIRSCH, EDOUARD ACZEL and HUGO ELBOGEN; Poland, by KAROL SACHS, T. DRZAZDZYNSKI and B. MIKULSKI; and Czechoslovakia, by ROBERT MANDELIK and JOE HARTMANN.

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The Cuban delegation, besides representing the official Provincial Associations of Sugar Producers, since there was no national association of sugar producers at that time, also had the semi-official representation of the Government. The delegation received two concrete fundamental instructions ; one was the expression of the general sentiment of the Cuban producers, and the other the personal recommendation of the President of the Republic, General MACHADO. The first of these instructions was that Cuba should not restrict its production in the future, a policy which she had just given up that year, and would only accept, as a maximum sacrifice in any agreement which was made, the obligation not to increase her production, that is, to limit it to what it had been. The second instruction was that President MACHADO did not consider it prudent for Cuba, as a nation or as a producing entity, to take part in agreements to attack other producing countries commercially, as was suggested in the exchange of views of the experts at Geneva to which reference has been made above, and that, on the contrary, he was in favour of attracting, by persuasion and by the ties and defence of mutual interests, the producers of Java against whom those plans of attack seemed to be directed, since he considered that the co-operation of the latter was essential in order that any international agreement might produce the effective arrangement of the world sugar situation.

In accordance with those instructions, the Cuban delegation presented the problem in the following terms : World consumption of sugar had been increasing continually during the past years, by an important and almost uniform amount, which in itself was

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encouraging ; but production, in turn, was increasing in much greater proportion, so much so that it had already exceeded the world's consuming capacity ; consequently, the fundamental cause of the evil was the constant and disproportionate increase of production. To remedy this situation, it was necessary, as a first step, to attack this phenomenon, and that could only be done by an agreement of all the exporting countries (into which should afterwards be brought those which produced without being exporters) not to increase their production, at least during the time necessary, so that, by the natural and constant increase of consumption, which was then considered to be a sure factor, the surplus which had been already produced should be absorbed and a reasonable balance between production and consumption maintained in the future. The central idea submitted by Cuba was, therefore, in relation to production, and, concretely, the status quo in regard thereto.

The European producers had in general the same ideas as the Cubans, but the former did not wish to agree to anything which affected production in a direct way, for which reason they desired to limit the Agreement to the matter of exports. This conflict of opinions on such an essential point was at last settled with a criterion of an eclectic character, which was contained in the draft of an agreement submitted by the Cuban delegation, which was framed in the following terms :—

“ 1. In view of the fact that the production of the
“ countries signatories to the present Agreement has
“ been, in the crop year 1928-29, as follows : Germany
“ ; Czechoslovakia ; Belgium

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“ Cuba ; Poland ; Hungary , said
“ countries agree, for a period of three years, not to
“ export annually larger quantities of sugar than the
“ following : Germany..... ; Czechoslovakia..... ;
“ Belgium ; Cuba ; Poland ;
“ Hungary

“ 2. If in any of said three years, the production of
“ any of the aforementioned countries should increase,
“ the exportable quantities shall not exceed in any
“ form those fixed in the present agreement, and such
“ country undertakes to retain the excess of its
“ production within its own national frontiers, so that
“ it may be absorbed therein, by an increase of home
“ consumption, and failing this increase, the production
“ of the following year shall be decreased by an equal
“ amount, by such means as said country considers
“ practicable.

“ 3. The signatory countries agree to undertake to
“ carry out a common action in order to obtain the
“ adherence of the other sugar producing countries,
“ within the shortest time possible, to the policy
“ of stabilization put into effect by the present
“ agreement.

“ 4. The signatory countries shall require each other
“ to give mutually those guarantees which they
“ consider necessary, either financial or political, for
“ the execution of the obligations undertaken by
“ them.

“ 5. One year prior to the termination of the period
“ stipulated in the present Agreement, a new meeting
“ shall be called, for the purpose of fixing the increases
“ which may then be considered necessary in the

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“ export quotas of each of the signatory parties, in
“ order to provide for the increase which world con-
“ sumption may demand, taking as a basis the pro-
“ portional quantities fixed in the present Agreement.

“ 6. The signatory countries and those which may
“ afterwards adhere to the present Agreement, shall
“ form a Permanent Committee for the purpose of
“ carrying out the common action which may be
“ considered advisable in connexion with the present
“ Agreement, and any other common action directed
“ toward the improvement of world sugar conditions,
“ such as the increase of consumption, statistical and
“ technical information, etc.”

This draft, with slight variations which were not fundamental, was the text which served as a basis for the deliberations of the Conference, which, after a good deal of discussion, approved the following Agreement, and this was signed by all on July 2nd, 1929 :—

TEXT OF AGREEMENT.

“ Art. 1 (Section 1) : On the basis of the following
“ production of the countries adhering to the present
“ Agreement, namely : Germany, 1,900,000 tons ;
“ Czechoslovakia, 1,250,000 tons ; Belgium, 280,000
“ tons ; Cuba, 5,200,000 tons ; Poland, 800,000 tons ;
“ and Hungary, 220,000 tons, said countries under-
“ take, for a period of four years, not to export annually
“ larger quantities than the following : Germany,
“ 200,000 tons ; Czechoslovakia, 825,000 tons ; Belgium,
“ 60,000 tons ; Cuba, 5,000,000 tons ; Poland, 383,000
“ tons ; and Hungary, 100,000 tons.

“ These quantities shall be understood to be in raw
“ sugar, 88 yield, and for Cuba in raw sugar, 96°
“ polarization.

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“(Section 2): On account of the special situation of its industry, the German delegation can only enter into a formal obligation at present for a period of two years. They will inform the other parties, before the 1st of October, 1929, if they will continue to be bound for an additional period of two years, so as to adhere to the Agreement for the same period of time as the other parties.

“The German delegates undertake to use all their influence to persuade the other German sugar manufacturers to decide in favour of said prolongation.

“Art. II (Section 1): If during any of said four years, the production of any of the countries above mentioned should increase, the exportable quantity cannot in any case exceed the quantity fixed in the present Agreement; and said country undertakes to retain said surplus production within its own frontiers, in order that it may be absorbed by an increase of home consumption. In case this increase of consumption should not take place, the production of the following year shall be reduced by an equal quantity, in such manner as said country considers preferable.

“(Section 2): The four annual periods for which the above-mentioned countries have bound themselves not to export more than the quantities fixed above, are the following: for Cuba, from the 1st of January, 1930 to the 31st of December, 1933, and for the European countries, from the 1st of September, 1929, to the 30th of September, 1933, it being understood that these dates are only approximate, and that the years shall commence at the beginning of the harvests and comprise a period of twelve months.

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“ For those countries which may later on adhere to the
“ present Agreement, the said period shall begin to
“ be reckoned from the time when said countries
“ commence their respective harvests.

“ Art. III : The signatory parties agree to make
“ common efforts to obtain, as soon as possible, the
“ adherence of the other sugar producing countries to
“ the policy of stabilization which the present Agree-
“ ment aims to carry out.

“ Art. IV : The signatory parties undertake to give
“ the financial guarantees necessary to assure the
“ execution of the present Agreement.

“ Art. V : The signatory parties and those which may
“ hereafter adhere to the present Agreement, shall
“ form a Permanent Committee, to carry out all
“ common action which may be considered useful or
“ necessary within the limits of the present Agreement,
“ and also to carry out any other action for the purpose
“ of improving the conditions of the world sugar
“ industry, such as the increase of consumption and
“ the study of the needs and interests of the consumers.

“ Art. VI : In case any of the contracting parties
“ should not comply strictly with the obligations of
“ the present Agreement, the matter shall be referred
“ to an Arbitration Commission, which shall be
“ composed of the following members : an arbitrator
“ appointed by the above-mentioned Permanent Com-
“ mittee, one appointed by the party in question, and
“ a third arbitrator shall be designated by the President
“ of the Economic Committee of the League of Nations.
“ The fines or compensations which may be imposed
“ shall be distributed between the other contracting

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“parties in proportion to their participation in the exports.

“Art. VII: Any modification of the present Agreement, in order to be valid must be approved by a unanimous vote of the parties thereto.”

As some delegations stated that their signatures should be ratified by the associations which they represented and the Cuban delegation made it known that its signature was also provisional, subject to ratification by their Government and industry, it was agreed that the Convention should not come into force until it had been definitely ratified by all the signatories.

Shortly after the signing of the above Agreement, we wrote, on 7th July, 1929, as follows :—

“The stabilization plan which has been accepted rests on a double moral and economic basis, namely: first, it does not injure any legitimate existing interest, as it permits each country to have the true production attained thus far by it; and, secondly, it does not make use of any violent or artificial means, such as the restriction of production, allowing, on the contrary, the natural evolution of the laws of trade, which assure, according to statistics, a gradual and constant increase of world consumption of sugar. A stabilization agreement based on these principles should have, logically, only one object: not to increase production during a certain number of years, that is, during the time which is necessary for the increases of world consumption, in accordance with the statistics, to catch up with the exaggerated production which the world has reached.”

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And in the official report in regard to the work of the Conference we said :—

“ The object of the Agreement made in Brussels is
“ to assure that there shall be no increase, during the
“ next four years, of the total quantity of sugar which
“ is available for export, by virtue of which measure
“ and the natural growth of consumption, it is expected
“ that the excess or surplus sugar which at present
“ exists in the world will disappear, thus establishing
“ the desired equilibrium between production and
“ demand.

“ It must be recognized that the formula adopted at
“ Brussels solves only in a partial way the problem
“ of completely balancing world consumption and
“ production of sugar. To fully attain this ideal, it
“ would be essential that all countries should hold
“ down their production to its present level, during
“ the necessary period of time. There can, however,
“ be no thought of the possibility of obtaining such
“ world-wide action. The conditions under which cane
“ and beet sugar are produced in the world are too
“ varied, and such conflicting natural, economic and
“ political factors enter into play, that the interests
“ of the various producing countries prove irreconcil-
“ able in practice.

“ But, on the other hand, there can be no doubt that
“ the policy of stabilization of exports represents a
“ positive improvement with respect to actual con-
“ ditions, in which no restriction or limitation exists
“ to prevent the increase of production. As far as
“ the group of exporting countries constituted by the
“ European exporting countries and Cuba is concerned,
“ it can be stated that it is not improbable that they

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“ could turn out, in the next four years, greater quantities of sugar for export than those mentioned in the Brussels Agreement. Consequently, by means of this Agreement, at least any further increase of the production of this group of countries is precluded. If there were added Java, the Dominican Republic, Peru and the Philippines, this stabilization would have very appreciable material results.”

These two paragraphs summarized our opinion in regard to the arrangements made at Brussels in 1929.

Of course, the written result, that is, the Agreement which was signed on the 2nd of July, was only a beginning, since the Cuban delegation always maintained that it was necessary, in order that the obligations undertaken should be effective, that the other exporting countries should be brought into the Agreement, and even that steps should be taken to secure the adherence of those countries which produced simply for their home consumption to the principle of the *status quo* of production. In line with these ideas, the Conference agreed to commence negotiations with the Java producers and the President, Senator LUCIEN BEAUDUIN, undertook to go immediately to Amsterdam, where the Trust of Java Producers had their headquarters, to inform them of the Agreement which had been reached and of the invitation which was expressly extended to them to adhere to it.

The attitude of the Java producers on this occasion was more cordial and encouraging than that which they had shown two years before to Colonel TARAF. This was the impression derived from the verbal information which Senator BEAUDUIN conveyed to the Conference, on his return from Amsterdam. In short, the Java

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producers asked for time in which to consult, on account of the difficulties which the consultations they had to make among themselves presented, but the representatives of the Java Trust stated that they were favourably impressed as regards the Agreement itself and the possible final result of said consultation.

On the other hand, the Cuban delegation undertook to approach the producers of Santo Domingo, Peru and the Philippine Islands, in order to secure their respective adherence to the Agreement.

In these conditions the Brussels Conference of 1929 dissolved. Before leaving Brussels, the Cuban delegation presented to the Presidency the following drafts of regulations, supplementary to the stipulations of the Agreement :—

“ Guarantee. When it should be given : When the Agreement is definitely ratified by each country.
“ In case of countries adhering subsequently, the guarantee should be given when they notify their definite adherence. To whom should it be delivered ?
“ The documents covering the guarantee shall be delivered to the President of the Permanent Committee established by Article 5 of the Agreement.
“ Of what shall the guarantee consist ? The guarantee shall consist of an obligation undertaken by a Bank on the following bases : The Bank (which is accepted for each country) shall guarantee the immediate delivery to the President of the Permanent Committee of the amounts ordered to be paid by the majority of the Arbitration Commission formed in accordance with the provisions of Article VI, by reason of the fact that the producers of the country in question have exported, during the 12-month

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“ period following the beginning of any of the crops
“ which commenced about the 1st of January, 1930,
“ 1931, 1932 and 1933 (for Cuba) and the 1st of
“ October, 1929, 1930, 1931 and 1932 (for the European
“ countries), a larger quantity of sugar, from the
“ amounts produced during said crops, than that fixed
“ for said country in the Agreement, that is, -----
“ tons. *What shall be done with the proceeds of the*
“ *guarantee?* Whenever it becomes necessary to make
“ the guarantee effective, the sum of money received
“ by the President of the Economic Committee shall
“ be invested, preferably, in the purchase of the same
“ quantity of sugar as was unduly exported by the
“ country in question, in order to withdraw said
“ quantity from the market, and the Committee shall
“ afterwards determine what shall eventually be done
“ with said sugar, whether it shall be destroyed or
“ used for developing new markets.

“ *Regulations for the Permanent Committee:* (1) The
“ Committee shall be composed of the representatives
“ of each of the countries which have signed or adhered
“ to the Agreement. Of course, in order to maintain
“ a constant representation, each country may appoint
“ one or more members to represent it, but in the
“ voting the votes shall be taken by countries, and
“ each country shall have only one vote. (2) The
“ decisions of the Committee shall require a unanimous
“ vote. (3) The questions to be considered by the
“ Committee shall be submitted in writing before the
“ meeting or during the course thereof, but sufficient
“ time shall always be allowed to the representatives
“ of the countries who so request in order to submit
“ the questions to be voted on to their respective

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“ constituents. (4) The Committee shall have authority
“ to deal with all questions relative to Article V of
“ the Agreement, and may also call special meetings
“ of all the signatory parties when important matters
“ make it advisable to do so. (5) The Committee shall
“ reside in Brussels and shall organize an office with
“ the following budget. (6) The contributions to
“ the budget of expenses of the office of the Committee
“ shall be made by each country in proportion to their
“ respective exports, and the payments shall be made
“ half-yearly. Any additional expense agreed to by
“ the Committee shall be apportioned in the same
“ manner and paid by each party as soon as it is
“ notified of its respective share.

“ *Regulations for the Arbitration Commission:* (1) Each
“ country shall notify the Permanent Committee of
“ the dates of the commencement of its harvests and
“ of its exports during monthly periods. (2) The
“ Committee shall verify, by all the means within its
“ reach, the effective exports of each country. (3)
“ Whenever the President of the Committee considers
“ that a country has failed to comply with Article I
“ of the Agreement by exporting more than its quota,
“ or whenever any of the signatory parties requests it,
“ he shall call a meeting of the Permanent Committee
“ in order that the member of the Arbitration Com-
“ mission should be appointed, as provided for in
“ Article VI; he shall inform the President of the
“ Economic Committee of the League, in order that
“ he may appoint the Arbitrator to be designated by
“ him, and he shall request the country in question
“ to appoint, within a period of 15 days, its arbitrator.
“ (4) At the termination of said period of 15 days

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“ and when the name of the arbitrator designated by
“ the President of the Economic Committee is known,
“ the President of the Permanent Committee shall
“ fix, without delay, the date of the meeting of the
“ Arbitration Commission, taking into account the
“ natural delays due to geographical situation . If the
“ country which is required to designate an arbitrator
“ does not appoint one, or he fails to attend the
“ meetings of the Commission, this circumstance will
“ not prevent said Commission from rendering a
“ decision. Only two votes of the members of the
“ Commission shall be necessary to make its decisions
“ valid.”

The efforts which the Cuban delegation and Government at once made to secure the co-operation of the producers of Santo Domingo, Peru and the Philippine Islands, proved finally ineffective. The producers of these countries, notwithstanding the fact that they expressed their conformity and sympathy with the fundamental purposes of the Agreement reached at Brussels, withheld their decision and allowed time to pass without agreeing to co-operate towards the effort which had been made. On the other hand, the Java producers, who at first had welcomed the Agreement and the invitation of the Conference, also followed the same course as their colleagues of America and Oceania, and allowed months to pass without offering their co-operation. Thus the Brussels Conference of 1929 passed into the category of another fruitless effort.

With regard to the attitude of Cuba towards these endeavours, it is opportune to transcribe the resolutions which, when they had received detailed information

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concerning them, were adopted by the Association of Sugar Producers of Santa Clara, the most conspicuous, active and energetic of the Associations of Cuban sugar producers, and the one that most faithfully expressed the views of the native producers :—

“In view of the confidential and very full and detailed information given by Dr. VIRIATO GUTIERREZ, at the General Meeting of the Stockholders of the Sugar Exporting Company of Cuba (Compania Exportadora de Azucar de Cuba) held on the 16th of September, 1929, with respect to the efforts made by Mr. LUIS MARINO PEREZ, Major LUIS R. DE MIRANDA and Dr. VIRIATO GUTIERREZ, who formed the Commission which represented the Cuban sugar industry at the Conference recently held in Brussels, which was attended by representatives of the sugar industries of the principal sugar exporting countries, with the exception of Java, at which meeting Dr. GUTIERREZ also represented the Association of Sugar Producers of Santa Clara, in accordance with the resolution adopted on May 22nd, 1929 ;

“ In view of the fact that at said Conference at Brussels an Agreement was made by all the delegates of the sugar industries there represented, which has been submitted to the approval of the Java producers, and that said Agreement is a real constructive step for the world sugar industry, on account of the possibilities which it offers, the details of which, as well as of an Additional Plan thereto, both of which have been communicated to the Board of Directors, are not here set forth, on account of their present confidential character and the fact that they have not been made public in any of the other signatory countries ;

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“ In view of the precedent established by Dr. VIRIATO
“ GUTIERREZ, President of the Cuban delegation to the
“ Brussels Conference, of appearing before the rep-
“ resentatives of the Cuban sugar industry present at
“ the General Meeting of the ‘ Sugar Export Company
“ of Cuba,’ which was held on the 16th of September,
“ 1929, and informing them of the work which he had
“ carried out, in order to obtain the approval, modifi-
“ cation or disapproval of his acts ;

“ The Association of Sugar Producers of Santa Clara
“ unanimously resolves :—

“ 1. To ratify all that was done by the Cuban
“ Delegation at the Brussels Conference, approving the
“ decisions which it took and again extending a vote of
“ confidence to said Commission, composed of Dr.
“ VIRIATO GUTIERREZ, Sr. LUIS MARINO PEREZ and
“ Major LUIS R. DE MIRANDA, for the future work
“ which they may have to carry out in connexion with
“ said Brussels Agreement ; and to congratulate the
“ members of said Commission, especially Sr. LUIS
“ MARINO PEREZ for the valuable services which he
“ rendered, according to the statements made by its
“ President, Dr. GUTIERREZ, as well as to the latter for
“ having fulfilled so completely the aspirations of the
“ Cuban producers to be informed of the decisions made
“ on their behalf by their representatives, the delegates
“ to the Brussels convention.

“ 2. To place on record expressly, that the Associa-
“ tion of Sugar Producers of Santa Clara is opposed to
“ everything which in future might represent a possible
“ restriction of our crops, as this is considered to be
“ contrary to our national interests.

“ 3. To congratulate the Hon. President of the
“ Republic for the judicious suggestions made by him
“ to the Cuban delegation, which permitted it to obtain
“ such satisfactory results for our principal industry.

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" 4. To extend to Sr. JORGE DE ONA, a distinguished member of our Association, who formed part of the Cuban delegation as an associate member, our thanks and congratulations for the efficient services rendered to said Delegation during the entire course of the negotiations, according to the public recognition of said services made by Dr. GUTIERREZ at the General Meeting of the Sugar Exporting Company on September 18th.

" 5. To send copies of this resolution to the Hon. President of the Republic, to Dr. GUTIERREZ, Major LUIS R. DE MIRANDA, Mr. LUIS M. PEREZ and Mr. JORGE DE ONA.

" 6. To send a copy of this resolution at once to the 'National Commission for the Defence of the Sugar Industry' for the purposes which it may deem proper."

CHAPTER V.

The System of Unification of Sales as a Means of obtaining the Benefits of the Treaty of Commercial Reciprocity between Cuba and the United States of America.

While the work of the Conference of sugar exporting countries, described in the preceding chapter, was taking place in Brussels in June and July of 1929, a new movement of unquestionable importance in defence of the sugar production was going on in Cuba. The object of this new idea was to make effective, in favour of the Cuban producer, the preferential which was granted to Cuban sugar by the existing Reciprocity treaty with the United States. By virtue of the clauses of this treaty, Cuban sugar entered the United States with a 20 per cent. reduction on the basic tariff, which represented some 44 points (0.44 cent) of advantage per pound, and it was argued that at least 35 of these points could be gained.

Cuba at that time exported to the United States around 3,000,000 tons annually and it was evident that by securing all or part of the preferential, the Cuban producers would receive an important increase in price for their sugar. The leader of this movement was Colonel TARAFÁ, to whom we have referred before, and the method proposed for obtaining the desired result was the unification in a single hand of the sales of Cuban sugar for export, that is, the establishment of a "Single Seller."

The sponsors of this plan believed that besides effectively securing the higher price which the preferential gave in the exports of sugar to the United States, Cuba would be placed in such a strong position,

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as exporter of the remainder of her production to the world markets, that it would then be an easy task for her to bring about the conclusion of a true and effective international stabilization agreement.

The circumstance that this movement developed rapidly in Cuba at the very time when the work of the Conference at Brussels was going on, might be interpreted as a premature lack of confidence in the success of that work, or it might have been considered that the creation of the Single Seller would contribute to the successful outcome of the latter. However, there are indications for thinking that the temporary rise in prices which immediately followed the creation of the Single Seller in Cuba, on account of the policy of holding back sales, may have been the cause of the lack of further progress in the work of the Brussels Conference, by changing the favourable attitude of Java and weakening the enthusiasm of the other countries which were invited. Thus Cuba was again making all the sacrifice, which was sufficient to cause the other countries to feel that they were not obliged to make any. But whichever of these suppositions may have been the true cause, the fact was that the immense majority of the sugar producers requested President MACHADO to put the new idea immediately into execution, even before the delegates who had carried on the work at Brussels had returned to Havana, and being anxious to help the sugar industry, the President agreed to the request and promulgated the necessary measures. Of these, the most important was Decree No. 1224 of July 26th, 1929, the principal bases of which were the following :—

“ Inasmuch as : the National Commission for the
“ Defence of Sugar, at a meeting held on the 22nd of

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“ the current July and in compliance with the obli-
“ gations with which it is charged by Article IV of
“ the Law of October 4th, 1927, adopted the resolutions
“ which the Executive sanctioned on the 25th of the
“ same month, because they were deemed advisable
“ as a means of remedying the evident injury which
“ the lack of regulation and unity in the sales of our
“ sugars has been causing to the sugar manufacturers
“ and cane growers, the banks, commerce and labourers
“ in general, especially those engaged in agriculture
“ and in the manufacture of sugar, which injuries
“ affect the Nation as a whole, and, therefore, compel
“ the Executive, as General Administrator of the State,
“ to promulgate measures for the practical application
“ and regulation of said resolutions ;

“ Inasmuch as : the facts of the situation make it
“ urgently necessary that the measures which are
“ adopted shall be immediate and effective to arrest,
“ as rapidly as possible, the evils which have been
“ progressively assuming a more acute form in the
“ past months, due to the crisis of the sugar industry
“ which is reflected in the entire national economy ;

“ Inasmuch as : to remedy these evils the Executive,
“ at the same time, has been compelled to take steps
“ of an international character, for the purpose of
“ stabilizing the world sugar market within a common
“ interest and by means of a policy inspired by high
“ principles of mutual benefit ;

“ Inasmuch as : knowing the reality of all these
“ factors, the interests; both national and foreign,
“ which directly represent, or are in some way con-
“ nected with, the Cuban sugar industry, and the
“ National Association of Planters (Colonos) have all
“ agreed to collaborate in the constructive work which

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“ the Executive has decided to carry forward to save
“ and defend the common interests, as is its duty as
“ representative of the State.”

Unquestionably this new initiative in the field of the sugar industry was far-reaching and ambitious, but whatever may be the judgments in regard to its efficacy, it must be admitted that it suffered from a basic defect: the lack of adequate financing. The Cuban producer suddenly found himself deprived of the free management of his product, which made it difficult or impossible for him to finance his business, and, on the other hand, the State, which had accepted and established the “ Single Seller,” could not offer him the money necessary to make his crops and keep up the cane cultivation and the factories. The truth is that the sponsors of the idea entertained too many illusions in regard to the possible advantages of the Single Seller and the facilities which they expected to find for disposing of the Cuban production.

It is probable that the intensification of the sugar crisis, which grew more acute, may have played an important role in checking the sales of the Single Seller and thus creating difficulties for its operation. In any case, the result was that when the plan had been in existence for nine months, the clamour of the sugar manufacturers and cane growers who had favoured it, and of those who had accepted it, became so great that the Government realized that it could no longer be maintained, unless an adequate financing was obtained. And as the efforts which were made to obtain this financing were unsuccessful, it became necessary to abandon the plan, which was done in the month of April, 1930.

CHAPTER VI.

Negotiations carried on by the Cuban Producers with the Producers of the United States and its Insular Possessions, as a Preliminary Step to the Negotiation of an International Sugar Stabilization Agreement.

When the experiment with the Single Seller ended in April, 1930, the sugar situation of Cuba was aggravated to an alarming degree, due to the combination of various factors, some of a general character and others which directly affected Cuba.

The crisis of world over-production had already taken on a very grave aspect. Sugar was being produced out of all proportion to the world demands while protection and other forms of State assistance tended to stimulate it even more. In Cuba itself, on account of the enormous difficulties which the Single Seller had encountered in disposing of the old sugars of the crop of 1929 and the new sugars of 1930, surpluses of a magnitude never before known had accumulated. At the time that the Single Seller was dissolved and the sugars restored to their owners to dispose freely of them, the world price had fallen to 1.04 cents per lb., the lowest level reached till then. To all this must be added the circumstance, that at about this time the United States established a new high tariff of 2 cents per lb. on Cuban sugar, which was so exaggerated that it constituted in reality an embargo for the future on the exports of Cuban sugar to that country. The situation of Cuba was therefore a desperate one, and the Cuban producers felt very greatly alarmed.

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But in spite of these critical circumstances, they had sufficient energy to undertake fresh efforts in defence of the national and world sugar industries.

President MACHADO had declared, when the Single Seller was abolished, that the Government, faithful to the principle which it had been following, would not support any sugar policy except that which was recommended by a substantial majority of the producers. This open attitude of the President, who was always prepared to act, encouraged a group of the younger producers, in their majority native Cubans, formed by the men who had been most prominent in the campaigns in connexion with the sugar policy which had till then been carried out, to take the initiative to formulate new plans.¹

As a definite majority of the sugar factories of Cuba was in the hands of American investors and bankers, and as, on the other hand, the greatest threat to Cuban production consisted in the certain effects of the excessive tariff of 2 cents, which would stimulate production in the American insular possessions, the new leaders realized that it was in the United States that the decisive battle in defence of the sugar industry must be prepared and initiated. In dealing with the United States bankers and investors, they established relations with the eminent American lawyer, Mr. THOMAS L. CHADBOURNE, who, with the co-operation of the group of Cuban sugar producers above mentioned, succeeded in bringing together practically all the American interests in the Cuban sugar industry. In this way, there came to be formed in New York

¹ These sugar producers were: JULIO LOBO, JOSE M. LOPEZ OÑA, JOSE GOMEZ MENA, MARCELINO GARCIA, JACINTO PEDROSO and Mr. STAPLES.

a Committee of Cuban-American action, representing the immense majority, almost the total, of the Cuban sugar mills, and this Committee set out with great energy and enthusiasm to study the vast sugar problem.¹

When this Committee reached concrete conclusions, that is to say, when they had framed an ample plan of action, they requested the official assistance of President MACHADO and informed him that the plan adopted had the approval of such a large majority as to amount virtually to the totality of the producers of the country, since none of them had offered any opposition to it. President MACHADO received this request with good will and at once commissioned the author of this book (who as a member of the Cuban Senate had been giving his attention to the study of the sugar question) to proceed to New York in order to co-operate with the Cuban-American Committee there, and to study the manner of carrying out their plans in practice.

The Committee had drawn up a wide and ambitious plan extending over a period of five years, by which they not only tried to save the Cuban sugar industry, threatened with imminent ruin by the American tariff of 2 cents, but also to secure a world stabilization of sugar, by means of an international agreement.

The first part of the programme consisted in obtaining an agreement with the producers who supplied the American market, in order that :—

¹ The members of this Committee were : JULIO LOBO, JOSE M. LOPEZ OÑA, JOSE GOMEZ MENA, MARCELINO GARCIA, JACINTO PEDROSO, WILLIAM C. DOUGLAS, CHARLES HAYDEN, JOHN R. SIMPSON and THOMAS L. CHADBOURNE.

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(1) the producers of beet sugar in the United States, and cane sugar in Louisiana, Puerto Rico, Hawaii and the Philippines, should limit their production to the levels reached in the year 1930, during the years 1931, 1932 and 1933, and should increase that production in the years 1934 and 1935 by one-half the increase of the consumption which took place in the United States ;

(2) that the cane sugar producers of Puerto Rico, the Philippines and Cuba, in co-operation with the beet sugar producers of the United States and the cane sugar producers of Louisiana and Hawaii, should distribute their sales in an orderly manner in the United States over the twelve months of the year ; and

(3) that Cuba, in turn, should undertake to restrict her exports to the United States to only 2,800,000 tons during the year 1931, with successive increases in the years 1932, 1933, 1934 and 1935, in certain proportions in relation always to the increases of consumption in the United States.

The second part of the programme, the execution of which was to be undertaken only by Cuba, consisted in trying to bring about, by all means within her reach (utilizing the experiences and the work which had already been done at the two conferences of producers held in Paris in 1927 and in Brussels in 1929) a new international conference of all the producing countries in the world (excepting the American continental and insular producers) in order to arrive at a general agreement for the stabilization of the industry.

It can never be denied that the programme worked out by the Cuban-American Committee of New York combined sufficient elements to be considered, in the

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light of the economic ideas then prevalent, as a complete plan and to create very alluring hopes in the minds of the Cuban producers and the Cuban Government. For this reason and the unanimity of opinion which supported it, it is not surprising that the Government should have given it warm and effective approval, and should have expressly authorized the writer to present it at the meeting of the producers who supplied the American market held at the Hotel Biltmore, in New York, on the 26th of August, 1930, at which meeting he read the following proposals :—

“ 1. If the programme which is outlined below in paragraphs 2, 3 and 4 can be effectively carried out, Cuba will limit her exports to the United States in the following manner :—

“ (a) They will not exceed 2,800,000 long tons in the calendar year 1931.

“ (b) The exports from Cuba to the United States during the calendar year 1932 will be limited to 2,800,000 long tons, plus any increase in the consumption of the United States which is shown to have taken place in 1931, compared with the consumption of the calendar year 1930.

“ (c) The exports from Cuba to the United States during the calendar year 1933 will be limited to the quantity fixed in paragraph (b) above, plus any increase in the consumption of the United States which is shown to have taken place in the calendar year 1932, compared with the consumption of the calendar year 1931.

“ (d) The exports from Cuba to the United States during the years 1934 and 1935 shall be limited to

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“ the quantity fixed by the provisions of paragraph (c)
“ above, plus one-half of any increase which is shown
“ to have taken place in the consumption of the
“ United States in each one of the years 1933 and
“ 1934, compared with the years 1932 and 1933,
“ respectively.

“ (e) Not less than 1,000,000 long tons of sugar
“ shall be segregated from the Cuban crops of 1930
“ and/or 1931, to be sold during the following five
“ years, but none of it shall be sold in the
“ United States.

“ 2. The beet sugar crop of the United States
“ and the cane sugar crops of Louisiana, Puerto Rico,
“ Hawaii and the Philippine Islands during the years
“ 1931, 1932 and 1933 shall not exceed those harvested,
“ respectively, by said beet and cane sugar producers
“ during the year 1930.

“ 3. The beet sugar crop of the United States and
“ the cane sugar crops of Louisiana, Puerto Rico,
“ Hawaii and the Philippine Islands in the year 1934
“ shall not exceed those harvested by them respectively
“ in the calendar year 1930, plus one-half of any
“ increase in the consumption which is shown to have
“ taken place in the United States in the calendar
“ year 1933 compared with the calendar year 1932.

“ 4. The beet sugar crop of the United States,
“ and the cane sugar crops of Louisiana, Puerto Rico,
“ Hawaii and the Philippine Islands shall not exceed
“ in the year 1935 the quantity fixed in paragraph 3
“ above, plus one-half of any increase in the consump-
“ tion which is shown to have taken place in the
“ United States in the calendar year 1934 compared
“ with the calendar year 1933.

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“ In this paragraph 4, and in paragraph 3 above, “ the beet sugar crop and the Louisiana crop are “ assumed to fall entirely within the calendar years in “ which they begin, and the crops of Cuba, Hawaii, “ Puerto Rico and the Philippine Islands within the “ calendar years in which they end.

“ 5. A plan shall be worked out between Cuba and “ the sugar producers of Puerto Rico and the Philip- “ pines with the object of obtaining an orderly “ distribution (marketing) of their respective crops in “ the course of the twelve months of each year, in “ co-operation with the producers of Hawaii and the “ beet producers of the United States.

“ 6. A Committee shall be formed to consult “ with respect to any matters which may arise out “ of the proposals contained in the present document.

“ 7. Cuba will use her best efforts to promote an “ International Conference of the sugar producers “ of the world, other than the producers of the “ United States, with the object of bringing about a “ general stabilization of the industry.”

This meeting was attended by representatives of the beet sugar producers of the United States, and the cane sugar producers of Louisiana, Puerto Rico, the Philippines and Cuba. The producers of Hawaii, for reasons which were never made clear, failed to attend. The result of this first step in the execution of the programme, as we have already stated in a previous chapter, also remained somewhat indefinite.

The clearest explanation which could be obtained by the Government of Cuba, after some time, was that the anti-trust legislation in force in the United

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States might be interpreted as preventing the producers of sugar in United States territory and possessions from making agreements affecting production which might bring about increases in prices, for which reason the effective means of attaining the desired results, without running the risk of a legal interpretation, was to avoid a written agreement and have only a verbal one ; that as a matter of fact, in the case in question, a positive agreement had been firmly arrived at, by which the Cuban proposal, read at the meeting at the Hotel Biltmore, had been accepted, that is to say, that only a "Gentleman's Agreement" had been made. Events, with their sincerity and indiscretions, have, in the course of years, proved that in connexion with the said pact there might have been anything else, but certainly not a gentleman's agreement. Nevertheless, the producers and Government of Cuba accepted the pact, and with the generosity and good faith which always characterized their dealings throughout this long economic and political process, they set out to fulfil loyally the obligations which they had undertaken, including the second part of the programme, that is, the steps to arrive at an international sugar stabilization agreement.

CHAPTER VII.

The Brussels International Agreement of May 9, 1931.

I.—PRELIMINARIES.

When the Cuban-American Committee of New York, as a part of its extensive programme, began the study of an international agreement of producing countries or between the producers of the different countries, taking as a basis the work which had previously been done, and especially that of the Brussels conference of 1929, they found that the picture had changed considerably, and that the world sugar situation had been complicated by a phenomenon, which had been foreseen, as shown by the clauses of the draft agreement of Paris, but now greatly aggravated, that is, an accumulation of exaggerated surplus stocks in nearly all the exporting countries. This fact required a special and energetic treatment. The Committee came to the conclusion that the most effective manner of solving this problem and preventing greater harm to the world market, was to segregate those surpluses for the time being, in order to export them, in proportionate parts, over a period of five years. This was the essential feature which the Committee added to the draft Agreement approved at Brussels in 1929.

And thus, with a complete plan of action, and after reaching the Gentleman's Agreement with the producers who supplied the American market, the New York Committee transferred its activities to Havana in order to take the necessary steps to put the plan into effect, while preparing the way at the

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same time for the international conference with the other producing countries. Once in Havana, extensive and labourious activities were carried on by the Committee to convince the Government and persuade the Cuban Congress of the benefits of their vast plan, and, consequently, to obtain the approval of the necessary legal measures for putting it into practice.

The essential points of the careful study which was made at that time were :—

- (1) To segregate the surplus existing in Cuba, up to 1,500,000 tons of sugar, by means of an issue of Bonds guaranteed by the sugars themselves, by a tax on each bag of sugar produced in the future, and, subsidiarily, by the Government.
- (2) Said sugar to be exported in a period of five years in equal proportionate parts.
- (3) To fix the exports to the United States in accordance with the Gentleman's Agreement made with the producers who supplied the American market.
- (4) To give authority to make international agreements, in which the exports to countries other than the United States would be fixed, and the future total crops of Cuba consequently determined.
- (5) To create an Organization entrusted with the execution of the above measures.

In the course of their deliberations, some members of the Cuban Congress, among them the author of this book, advocated concretely and insistently :—

- (1) that no part of the plan, and especially the segregation of the 1,500,000 tons of sugar, should be carried out, until the International Agreement had been concluded, at any rate in principle, since, if

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Cuba took those steps beforehand, she would have much less liberty of action when the moment for negotiations arrived. It should be stated that at that time it seemed as though the Agreement between the producing countries could be reached more rapidly than afterwards proved to be the case, since, at last, the Java producers had replied to the President of the Brussels Conference of exporting countries of 1929, that they were prepared to enter an International Agreement, and there were also reports leading to the belief that the producers of Peru would also adhere ; and

(2) that in order to apply the above point of view, and on account of the complete conviction of the inefficacy of isolated restrictions, the proposed legislation should not authorize such restrictions, but should establish, in a definite and clear manner, that restrictions could only be made in Cuba as a consequence of stabilizing international agreements, in which the other producing countries undertook their respective part of the sacrifice.

The debate was so intense that the sugar world took note of it, and an important technical periodical of London, the *International Sugar Journal*, stated in its issue of December, 1929, that : " Mr. GUTIERREZ is reported to have demurred strongly to the condition that the Cuban crop should be further restricted in amount, but Mr. CHADBOURNE and his advisers appear to have been adamant."

In fact, the enthusiasms of the New York Committee, that is of Mr. CHADBOURNE and his Cuban-American sugar advisers, overcame the objections, and finally convinced, first of all, the Executive, and

afterwards the Congress, to give their approval to their general Plan, with provision for the immediate application of its measures, and to enact the legislation necessary to carry it out. We should state here, in justification of the work of the Committee, that the universal sentiment at that moment was synthetized in the following words of an editorial of the *International Sugar Journal*: "It was evidently realized that with the rejection of the Chadbourne plan, the chances of any other means cropping up to save Cuba financially and economically were very small."

Approval of the plan having been obtained, President MACHADO issued his initial proclamation of October 15th, 1930, regarding the announcement of the plan and the invitation which was made to the holders of sugar in Cuba to contribute voluntarily in order to make up the total of 1,500,000 tons recommended. The principal paragraphs of that proclamation were the following:—

"The present situation of the sugar industry in our Republic calls for prompt action and on this industry depends, directly or indirectly, 80 per cent. of the people.

"There exists at this moment in Cuba, 2,200,000 tons of sugar of the crop of 1929-30, according to the most approximate estimates which can be made. The actual value in the market of these stocks of sugar is below 1 cent per lb. in the warehouses of the mills, which is certainly, less than one-half its cost of production.

"There do not seem to be any possibilities, under present conditions, to sell any considerable part of

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“ said stocks before the beginning of the coming crop,
“ except at ruinous prices.

“ This sugar in the hands of many owners constitutes a menace to the coming crop and to the future prosperity of the Republic, since it would have to be sold in competition with the sugars of the next crop, which would cause the prices for next year to fall to a level which would make it impossible for many mills to continue operation, and, as a consequence, a large number of labourers would remain unemployed, bringing about great economic hardship to the inhabitants of the Republic and to the foreign interests which have invested their capital in Cuba in this industry.

“ It is necessary to take immediately drastic action to improve the situation. In this connexion there is no need to point out the great interest which my Government has always shown in solving the economic problems created in the Republic by the sugar situation, by consulting the opinions and the wishes of the producers in each case.

“ In view of that situation, the immense majority of the producers have expressed to me their desire that an improvement be brought about by segregating the excess sugar existing in Cuba, and for this reason I consider that the time has arrived to make an appeal to the patriotism of the Cuban producers, and to the goodwill of the foreign interests which have given me their support in the past, in order that they co-operate with me voluntarily to put an end to the present state of things.

“ I am convinced that it is necessary that 1,500,000 tons of the sugars at present in Cuba should be

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“segregated and placed in the hands of a single organization.

“This organization will dispose of the segregated sugars on the market in an orderly manner during a period of time, which shall not exceed five years, and, as far as possible, in new markets or for application to new uses, in order to prevent them from affecting the price of the future crops. Moreover, by doing this, effect is given to the proposal recently made by Cuba in a conference of sugar producers of the United States, Puerto Rico and the Philippines, for the purpose of stabilizing the sugar industry.

“Consequently, I appeal to you in this situation of emergency to contribute with all your sugars in accordance with the plan which will shortly be outlined.”

Subsequently, on the 23rd of October, 1930, he sent a message to Congress (number xxxiv), in which he requested the legislation adequate to carry out the plan precisely as it had been proposed by the Cuban-American Committee of New York.

On the 24th of October he issued Decree No. 1414, by which, in view of the fact that in response to his previous proclamation, 800,000 tons of sugar had been voluntarily contributed up to that date, he provided for taking the indispensable measures, of a provisional nature, to assure the effectiveness of the proposed segregation, until Congress should approve the general legislation which he had requested. Finally, on the 15th November, 1930, the law approved by Congress, substantially identical with that recommended by the Committee, was promulgated, being known as the

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“Sugar Stabilization Law.” This law formally assured the execution of the vast plan of the Cuban-American Committee of New York.

The application of the Sugar Stabilization Law having commenced, a Delegation of Cuban and American producers, of which Mr. THOMAS L. CHADBOURNE, and a representative of the Cuban government were members, went to Amsterdam and Brussels, in November of 1930, where the negotiations for an International Agreement of sugar producers which had commenced in Brussels in June, 1929, were resumed.

II.—THE AGREEMENT.

Preliminary negotiations were carried on in Amsterdam between the Cuban delegation and the representatives of the Java producers. Both delegations then went to Brussels, where the General Conference took place attended by the delegates of the following countries: Cuba, Java, Czechoslovakia, Germany, Poland, Hungary, and Belgium.

We have always held the view, and we so stated at the time, that at the preliminary conversations at Amsterdam, the Cuban delegation, acting through a majority of its members, committed a grave tactical mistake, which affected the Agreement from its beginning. This error consisted in leaving aside the figures of production and exports used in the negotiation of the Brussels Agreement of 1929, and presenting new figures, much lower for Cuba, although justified by the world sugar situation then existing, in the belief that Java would imitate Cuba by adopting the same line of conduct. It is unnecessary to say that Java accepted the change of position by Cuba, but

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only with respect to Cuba and not to Java, who, on the contrary, continued to maintain her previous attitude, already known by the correspondence which had taken place, of demanding export quotas higher than her previous real and effective exports, and so exaggerated, in view of the smaller prospects which the free markets already at that time offered, that she was never able to reach them and they only served to nullify the effects of the Agreement.

This initial error having been committed, the negotiations which were continued at Brussels, Berlin and Paris, followed a slow and tedious course, but at last culminated in the signing at Brussels, on May 9th, 1931, of the International Agreement of sugar producers, duly authorized and supported by their respective Governments, known as the "Brussels Agreement of 1931," or "Chadbourne Agreement," in honour of the able American lawyer, Mr. THOMAS L. CHADBOURNE, who, in representation of the American producers in Cuba and of the Cubans themselves, negotiated it. The Agreement was signed originally by the countries mentioned above, and subsequently Peru and Yugoslavia adhered to it.

All the efforts which were made during the period of the negotiation of the Agreement and persistently continued afterwards by the "International Council," to bring the other producing countries and especially the other exporting countries into the Agreement, had no result, and its action was consequently confined to a total of nine exporting countries.

The text of the Agreement is printed in full at the end of this book.

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The principal object of the Brussels Sugar Agreement of 1931 was to stabilize world production of sugar, bringing it into balance with consumption. It was thought that this object would be attained by associating the exporting countries in order to limit their exports and, consequently, their production, it being expected that the other producing countries, which did not export, would co-operate by agreeing not to become exporters; and by suppressing, by a process of gradual elimination, the enormous surpluses which had accumulated in the preceding years of over-production, and preventing the accumulation of new surpluses. It was thought that at the end of the five years of its duration, in September, 1935, the production and consumption of sugar in the world would be balanced in a permanent manner.

It is not the writer's purpose to make a detailed critical study of the Agreement, but a simple examination of its terms and of the facts reveals the following deficiencies :—

(1) All the sugar producing countries, or even all the sugar exporting countries, did not sign the Agreement or adhere to it later or co-operate to its object.

(2) Most of the countries that participated in the Agreement considered it as a means of obtaining advantages and benefits, instead of looking upon it as an equitable distribution of temporary sacrifices, which would result afterwards in collective benefits; and, consequently, the export quotas of nearly all the participants, instead of representing restrictions, constituted the recognition of positive advantages.

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These fundamental deficiencies have been the real causes of its admitted failure, since, as is known, the countries which did not enter into the Agreement continued to produce without hindrance and even increased their production, especially the United States and its Insular possessions, and parts of the British Empire; and some who had entered into the Agreement, as they had high quotas, instead of contributing to clear up the situation of the markets, by the effective elimination of surplus sugars, proceeded, on the contrary, to accumulate new surpluses.

To summarize: The experience of the Brussels Agreement of 1931 proves very clearly the practical failure of the theory of international stabilization agreements, since it appears impossible to conclude them in such a way as to fulfil all the theoretical conditions necessary, so that they may be useful and effective. The most that has been achieved until now in the world, in the case of other primary commodities as well as sugar, has been agreements of a very imperfect character, due to the small number of countries which have participated in them, and to the evident lack of equity in their stipulations, which has impaired their consistency. For this reason we come to the conclusion, as a result of our studies and observations, that the theory of international agreements is a real economic Utopia.

CHAPTER VIII.

The Sugar Problem at the World Monetary and Economic Conference, held in London in 1933.

The summoning of the World Monetary and Economic Conference, in view of the preparatory work done by the experts appointed by the League of Nations and the favourable attitude of all countries, gave rise to strong hopes that results would be reached in regard to all sorts of economic difficulties which confronted the world. The various countries made preparations to submit to the Conference, in accordance with the official programme, those problems which directly affected them and were of such a nature that they could be regarded as having a universal interest.

For this reason, Cuba, which during the administration of President MACHADO, from the year 1925, had been taking the initiative in all the world efforts to solve the sugar problem, considered that the moment was an opportune one to transform the weak and insufficient Brussels Agreement of 1931 into something useful and effective, by means of a new international convention which, by correcting the defects and deficiencies of that Agreement, would assure, in a permanent and equitable manner, the stabilization of world sugar production.

This idea was sponsored by the official body which was entrusted with the technical direction of the national sugar policy, the "Cuban Sugar Stabilization Institute" (Instituto Cubano de Estabilizacion del Azucar) which at a session held on 27th May, 1933, made, among others, the following express recom-

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mentation to the State Department on general sugar policy, in order that the Government should take it into consideration in issuing the instructions to the Cuban delegation :—

“ That the share of the exporting countries in the international markets should be maintained by means of a rectification of the policy of customs barriers and subsidies, which has been prevailing during recent years in the world with respect to the sugar industry, this policy to be replaced by a system of international co-operation.”

The concrete ideas of the Cuban Institute were :—

The Brussels Agreement of 1931 had proved to some extent useless for bringing about stabilization, on account : (1) of the injustice with which the export quotas of some of the signatories and adherents had been fixed ; (2) the evident exaggeration of some of the quotas ; and (3) the non-adherence to the Agreement of the other producing countries.

This deficiency—we said then—is an original defect, which has up to the present prevented the Agreement from reaching satisfactory results, and has tended to bring about its definitive failure. If it is desired to save it, for the benefit of the world sugar industry, it is necessary, not only to rectify the export quotas, but to adopt the following solution : to extend it to the other producing countries, whether they are exporters or not. If this could not be obtained, there would still be another method which might be regarded as a timid alternative : that all the producing countries should agree to stop the increase of production for the period of time considered necessary in order that the

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natural increase of world consumption should absorb the accumulated surpluses and the current production.

It is evident—we said—that this measure would work with much greater efficacy and rapidity if at the same time that it was adopted, the Brussels Agreement were properly rectified and, better still, if it were extended by the adherence to it of other countries. However, the primary difficulty which arises in attempting to carry out this solution is that of determining what figure should be taken to define the present production of each country. We encounter at this point all the difficulties which the Brussels Agreement had to face in fixing the export quotas of its adherents, and which then existed for rectifying them in an equitable manner.

Experience had shown that the fixing of specific production or export quotas, as a means of stabilization, was almost an insoluble problem, since it was very difficult to find a country which was prepared to accept sacrifices by agreeing in an effective manner to the reductions which its maximum production or exports had suffered; the most that the majority of countries would accept was a certain limitation, and this only in words, since after the written phrase it always happened that figures were given, sooner or later, much higher than those corresponding to the real position.

For these reasons—we said—it is necessary to find another method or form, for restraining the growth of production, which should not be merely a quota or a figure, and it seemed that the solution could be found in the mechanical side of the sugar industry, that is, in the factories. By preventing the

increase of the factories, in all possible ways, there is no doubt that, after a certain time, the increase of production in each country would be stopped, which implies, in the last analysis, the stabilization of the industry, inasmuch as in a world in more or less normal conditions, there would always be a constant increase in the consumption of sugar.

The Cuban Institute also considered that it was necessary to rectify the prevailing policy by which the production of sugar was being artificially stimulated through the use of subsidies and tariffs, either by abandoning this policy by gradual but sure stages, or at least by putting a stop to its further development. In short, what was definitely thought could be done was to maintain the status quo, both with respect to production and to assistance and protection to the industry, increasing neither the former nor the latter. In line with these ideas, the Cuban delegation at the World Monetary and Economic Conference submitted on June 20th, 1933, the following proposal, as a basis for commencing the study of the sugar question :—

“ Proposal in regard to an Inter-Governmental Agreement for stabilizing World Production of Sugar so as to maintain the equilibrium between World Supplies and Demand.

“ 1. In the section of the Draft Annotated Agenda dealing with the ‘ Organization of Production and Trade,’ the Preparatory Commission of Experts, after stating (page 31) that the present world crisis has revealed profound disorganisation of production and distribution, say: ‘ We take the view that concerted action by the Governments in selected fields of production and trade may be effective . . . in the direction of facilitating and regulating the efforts made by certain classes of producers,’ and add (page 32): ‘ some of us think that the Governments might usefully take the opportunity of the coming Conference to discuss the attitude they should adopt in regard to these agreements.’

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" 2. In the case of Sugar an agreement between the producers of seven principal exporting countries, representing at the time about 45 per cent. of the world's production, was concluded at Brussels on May 9th, 1931. The extent of the efforts made by these sugar exporting countries to bring about an equilibrium between production and demand in the world's markets, may be judged from the fact that world production has been reduced from 27,323,000 long tons in the crop year 1929-30 (which was the year preceding the Brussels Agreement) to 24,206,000 tons during the present year 1932-33, that is, by 3,117,000 tons. But the reduction actually made by the countries now parties to the Brussels Agreement during this period of time amounts to 6,617,000 tons, against which must however be placed an increase by the countries outside the Agreement of 3,500,000 tons. (*Figures taken from Willett & Gray*).

" 3. The parties who entered into the Agreement in Brussels on May 9th, 1931, did not consider that their efforts to remedy the over-production of sugar in the world could be more than partially successful, unless they secured the co-operation of the other important producing countries, and they therefore stated the following in their Agreement (Article VII): 'The parties have entered into this Agreement for the purpose of stabilizing their industry and curing the difficulties with which it has been faced. They expect other producing countries to co-operate and many of those countries have evidenced their desire to participate in the purposes of this Agreement. Therefore, the Council (International Sugar Council) shall take steps to agree as soon as practicable with the sugar industries not represented by the parties to this Agreement, so that they may contribute their share to the task of bringing about a better balance between supply and consumption of sugar in the world.'

" 4. The efforts made by the International Sugar Council to reach agreements with the other sugar producing countries for the stabilization of their production have however been on the whole unsuccessful, for thus far only Peru and Yugoslavia have adhered to the Brussels Agreement.

" 5. It is true that certain other countries have taken measures, private and governmental, to regulate their sugar production and to eliminate or prevent the creation of surplus stocks, but the net result, nevertheless, has been that in the course of the three years during which the International Sugar Agreement has been in force, those countries which are not parties to it have increased their production by three and a half million tons.

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"6. The entire burden of restricting production so as to bring it into equilibrium with world demand has therefore fallen upon the group of nine countries which are parties to the Brussels Agreement, which group represents at present only slightly more than 26 per cent. of the world's total production. This burden is both excessive and unfair. It involves carrying still further the process of destruction of capital investment and of technical organization and the displacement of labour in those countries, simply that these same instruments of production may be duplicated in other countries.

"7. From a world economic point of view—as has been well expressed—it is unproductive and fruitless to create artificially an additional instrument of production alongside the existing one, which has grown naturally and is fully competent to perform its task, with a view to forcing the existing one to a standstill and rendering it worthless. The world does not gain by it and the net balance is a loss. Consequently, as long as numerous countries continue to erect new sugar factories and to increase the output of sugar, which is entirely superfluous in view of the existing world production, a recovery of sugar prices will prove exceedingly difficult.

"8. It is recognized that the present decline of the price level of the basic agricultural products below costs of production is destructive and should be remedied, and that when under these conditions, 'the further expansion of production in primary commodities becomes a barrier to the recovery of prices and the revival of trade, it should be checked.'¹ This principle applies fully to the production of such a basic commodity as Sugar, which is of great economic importance to the world.

"9. The Monetary and Economic Conference offers the opportunity to the Governments of the sugar producing countries to discuss the attitude they should adopt in regard to the present International Sugar Agreement to which nine countries are now parties, and to consider what action they can take to assist the efforts of the producers and Governments of those countries to bring about a stabilization of the sugar production of the world so as to maintain the proper equilibrium between world supplies and demand.

To facilitate an agreement on this question, we append the following outline of a *Draft Convention* :—

¹ Resolutions submitted to the Conference by the International Chamber of Commerce.

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Whereas it is to the general interest to prevent the over production of Sugar in the world, so as to maintain, as far as possible, a proper balance between the world's supplies and demand, in order that prices may not descend to a level destructive to the industry, with a subsequent excessive price increase :

ARTICLE I.

The Contracting Parties agree, for a period of ten years :

- (a) Not to start the construction of new sugar factories ;
- (b) Not to increase the effective productive capacity of any of the factories now existing ; and
- (c) Not to rebuild the factories which on account of having been totally or partially dismantled have ceased to be active units of production.

ARTICLE II.

No new subsidies, either direct or indirect, shall be granted to the production or export of sugar by the Parties to this Convention.

ARTICLE III.

No increase of the tariff duties on sugar, which shall raise the existing tariff rate to more than 70 per cent. *ad valorem*, shall be made by the Parties to this Convention during the period up to the 1st of September, 1935.

ARTICLE IV.

The present Convention shall remain open for the signature of all the States for a period of one year, but shall come into force as soon as it has been ratified by the following countries : Union of South Africa ; Germany ; Argentine ; Australia ; Austria ; Belgium ; Brazil ; United Kingdom ; Cuba ; Dominican Republic ; Egypt ; United States of America ; France ; Hungary ; British India ; Italy ; Japan ; Mexico ; Netherlands ; Peru ; Poland ; Portugal ; Czechoslovakia ; Turkey ; Union of Soviet Socialist Republics ; Yugoslavia.

"London, June 19th, 1933. For the Cuban Delegation :
Dr. ORESTES FERRARA. Senator VIRIATO GUTIERREZ."

This proposal marked the beginning of the work of the Monetary and Economic Conference on the sugar problem.

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The International Sugar Council, created by the Brussels Agreement of 1931, had submitted to the Economic Committee of the League of Nations, on the 27th of March, 1933, as a preparatory document for the Conference, a detailed Memorandum in which were set forth "the aims and provisions of the International Sugar Agreement of 9th May, 1931, the results attained thus far by the parties to the Agreement, and the reason why they require the co-operation of the important sugar-producing countries outside the Agreement, in their efforts to bring world sugar production into line with world demands." And as soon as the proposal of the Cuban delegation was circulated, the International Sugar Council, which had met in London, gave special attention to it, and on the 27th June, 1933, as a result of the study made by the Council, the following official letter and draft of a Convention were submitted to the Conference :—

"London, 27th June, 1933.

The President, World Monetary and Economic Conference, London.

DEAR SIR :

"The International Sugar Council refers to its letter of 27th March, 1933, forwarding a Memorandum it had prepared for the Monetary and Economic Conference regarding the Sugar situation.

"At its quarterly meeting yesterday and to-day the International Sugar Council re-examined the question and unanimously agreed to recommend to the Monetary and Economic Conference the conclusion of a Convention on the lines of the attached draft, which it will be seen follows very closely the draft Convention proposed to the Economic Committee of the Conference by the Cuban Delegation on 19th June.

"In forwarding this draft Convention to the Conference for its consideration the International Sugar Council wishes to emphasize the importance of the provisions of such a Convention being put into force at the earliest possible date, to ensure that the present situation should not be made worse by

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the construction of new sugar factories, the granting of new subsidies or the increase of existing import duties above the limit proposed.

"While the International Sugar Council has not included in its draft an article enumerating the countries whose adherence is desired, as was done in the case of the proposal of the Cuban Delegation, it wishes to say that it considers it essential that the Convention should receive a very general adherence.

"Very truly yours, FRANCIS E. POWELL, *Chairman.*
LUCIEN BEAUDUIN, *Honorary President.*"

Draft Convention submitted by the International Sugar Council.

"ARTICLE I.—The Contracting Parties agree for a period of ten years :

- "(a) not to start the construction of new sugar factories;
- "(b) that the total effective daily capacity of the sugar
"factories of each country shall be determined and
"may not be increased;
- "(c) In determining this capacity factories which have been
"totally or partially dismantled shall not be taken
"into account.

"ARTICLE II.—During the said period of 10 years no new
"subsidies, either direct or indirect, shall be granted to the
"production or export of sugar by the Parties to this Convention.

"ARTICLE III.—No increase of existing import duties shall
"be made by the Parties to this Convention during the period
"of 10 years. An exception is made in respect of those Parties
"whose import duties are less than 70 per cent. *ad valorem*,
"who may increase their duties up to that limit."

The II Sub-Commission (Co-ordination of Production and Marketing) when it began to study the primary commodities individually, commenced with sugar and concretely with the Cuban proposal, at its meeting held on the 27th of June, 1933.

The President of the Cuban Delegation, Dr. ORESTES FERRARA, opened the debate with a vigorous exposition of facts and arguments, concluding with the

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following words : "Cuba has taken the lead in international co-operation with respect to sugar ; all that she now asks is that further extensions of the sugar industries shall not be made in the world, which is now over-supplied. Cuba hopes that the sacrifices made by the group of exporting countries will be reinforced by the co-operation of the other producing countries."

The delegations of the following countries were in favour of the Cuban proposal : Holland, Peru, Germany, Poland, Czechoslovakia, Belgium, Portugal, Switzerland, Italy and Brazil. The British-Indian delegation made objections to some of the articles and accepted others. The United Kingdom delegation, speaking in its three-fold character as an importing country, as a home producer, and as a country with Colonies which were also producers, stated that they were in agreement with the aims of the Cuban proposal of establishing a reasonable equilibrium between world production and consumption of sugar, which was in line with the policy which the British Government recommended and desired to follow, but that in view of the special circumstances of the United Kingdom, they preferred that the rigid system set forth in the Cuban proposal should be modified by a more flexible one, in order that each country might be free to adopt the means which it considered most suitable, in accordance with its internal administrative situation, for attaining the common object. Concretely, the United Kingdom delegation added that they preferred to return to the system of fixing quotas for national and colonial production or exports, on which system they believed an international sugar convention could be constructed.

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The immediate consequence of this debate was the appointment of a special Sub-Committee to study exclusively the problem of sugar, and an exchange of views between the United Kingdom and Cuban delegations, in which an agreement with regard to procedure was reached, namely, that the indirect method of mechanical limitation of the industry, suggested by Cuba and accepted by the International Sugar Council, should be left aside and the direct method of quantitative limitation of exports and production (leaving each country free to carry out the limitation determined upon in the form and manner which it considered most suitable), should be taken up instead.

There can be no question that this latter method is the most logical one for obtaining stabilization, but the experiences of the previous international conferences and particularly that of the Brussels Agreement of 1931, had fully shown us that it was the most difficult one for arriving at an international agreement.

The United Kingdom delegation circulated a statement of their points of view and of the alternative method which they suggested, the text of which is as follows :—

OBSERVATIONS BY THE UNITED KINGDOM DELEGATION ON THE PROPOSALS FOR STABILISING WORLD PRODUCTION OF SUGAR.

1. The Cuban delegation have submitted to the Economic Commission a memorandum (Conf. M.E./C.E.14) indicating the desirability of international action, supplementing the action already taken by the principal exporting countries to stabilize world production of sugar; and have annexed to the memorandum the draft of a Convention intended to achieve that object. This proposal has been supported by the International Sugar Council which has submitted an alternative draft Convention differing only in detail from the Cuban draft (document Conf. M.E./C.E.35).

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2. Sir PHILIP CUNLIFFE-LISTER has already indicated at the meeting of Sub-Commission II of the Economic Commission on June 28th, the general attitude of the United Kingdom delegation. Interested as an important consumer of sugar and as a producer both in the United Kingdom and in its Colonies, the United Kingdom regards with sympathy the object of securing and maintaining an equilibrium of supply and demand, which is in accordance with the general policy the United Kingdom Government have recommended and desire to follow. In practice both in home and Colonial production there has been no attempt to stimulate an increase in production since the Chadbourne scheme came into operation. And the parties to that scheme will readily admit that the scheme has been in no way prejudiced by the volume of such production. The United Kingdom Delegation desire to see the Chadbourne scheme continued; and they are anxious to co-operate on the lines indicated by Sir PHILIP CUNLIFFE-LISTER in his speech. The United Kingdom Delegation are however unable to give that support in the particular manner proposed in the Draft Conventions, and from the discussion that has taken place, it has been gathered that while there is general sympathy with the object of the proposal the delegates of other countries are willing to consider alternative methods of securing it. Accordingly the United Kingdom Delegation conceive that it may be useful to circulate a statement of the reasons for their attitude and a suggestion for an alternative method of securing the desired equilibrium.

3. The present position of the world sugar industry, as understood by the United Kingdom delegation, is as follows. Mainly owing to the action taken, and the sacrifices borne, by the signatories to the International Sugar Agreement of 9th May, 1931 (the Chadbourne Agreement) an equilibrium has been reached between production and consumption and there is moreover a reasonable prospect of a substantial diminution of the excess sugar stocks in the next year or two. The continued maintenance of equilibrium and the disposal of stocks is, however, endangered by the possibility of increased production by countries, whether exporters or importers of sugar, which are not parties to the Chadbourne Agreement. The fundamental object of any scheme to be adopted must, therefore, be to limit such expansion of production. The proposal of the Cuban delegation and the International Sugar Council seeks to limit such expansion by preventing :—

(i) additions to existing factory capacity, either by the erection of new factories or the improvement of old ones; and

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(ii) the further stimulation of production by Government assistance whether by way of subsidies or tariffs.

4. Bearing in mind the "Conditions of Co-ordination of Production and Marketing" approved by Sub-Commission II of the Economic Commission (document Conf. M.E./C.E.33) the United Kingdom delegation have the following criticisms of these proposals to offer :—

(i) the prevention of the increase of factory capacity, particularly improvements to existing factories, might present serious administrative difficulties in countries where sugar production is carried on in many small factories or mills and is not concentrated in large units. Without any question of bad faith arising, disputes might well take place as to whether any particular country was carrying out this obligation. It is doubtful, therefore, if the scheme complies with condition 3 (e).

(ii) if new factories cannot be built and old ones cannot be increased in capacity, improvements in the efficiency of the industry, which might require an amalgamation of factories or geographical re-distribution of the industry within any national area, would be prevented; and the scheme accordingly conflicts with conditions 3 (h).

(iii) More important still, the scheme may not secure the desired object of effectively regulating production. Reference has been made in the course of discussion to the existence of large unused manufacturing capacity in the world and the leader of the Cuban delegation estimated the total existing factory capacity at 38,000,000 tons of sugar per annum. A large part of the at present unused capacity is in the "Chadbourne" countries, and the United Kingdom delegation assume that, if a Convention of the nature proposed were concluded, the Chadbourne agreement would be continued for a corresponding period; but it would still be possible for other countries to utilize such unused factory capacity as they possess. The expansion of production which might thus take place without any infringement of the suggested convention might well be sufficient to upset the equilibrium of production and consumption.

(iv) As regards the provisions suggested relating to subsidies and tariffs, it has already been stated that the United Kingdom do not contemplate any substantial increase in sugar production either in the United Kingdom or the Crown Colonies and they have no intention of adopting new measures designed to stimulate an expansion in these fields; but, granted that policy, the

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United Kingdom Government feel it necessary to remain free to decide, in circumstances which may arise from time to time, on the best method of securing the maintenance of production in those territories, if it should be deemed desirable. Moreover, as regards tariffs the important duties on sugar are an important source of revenue in the United Kingdom as no doubt in other countries, and the United Kingdom Government consider it essential to remain free to decide what rate of duty may be desirable for purely revenue reasons.

5. The United Kingdom delegation feel that some or all of these difficulties, and perhaps others which do not arise in their own case, must apply in many other countries and they accordingly doubt whether the proposed convention would be an effective instrument for the purpose desired. They suggest that a more direct method of approach would be preferable and that instead of seeking a limitation of output by indirect means, the sugar-producing countries not parties to the Chadbourne Agreement should be asked to limit quantitatively their production or export, as may be appropriate. If that were agreed it would rest with the countries concerned to effect the agreed limitation of their output in any manner they thought desirable; some might adopt the scheme of preventing increases of factory capacity, others might effect their object by reducing or limiting subsidies or other Government assistance; but it would be unnecessary for provisions on these subjects to be laid down in an international agreement. This plan would therefore give both greater security of results and greater flexibility in its operation in individual countries.

6. The United Kingdom delegation have already intimated their willingness to limit the production of sugar in the United Kingdom and the exports of sugar from the British Colonies, provided that satisfactory steps in a similar direction are taken by all the principal sugar-producing countries. They do not wish at this stage to put forward the draft of any formal instrument; but the plan which they envisage would involve the following:—

- (a) for countries (e.g. the United Kingdom) which produce some sugar but import a substantial part of their requirements an undertaking to limit home production; (in the British Colonies, which sell all their exports within the British Empire, the regulation would take the form of a limitation of export, not of output);

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- (b) for countries which produce substantially enough for their own consumption, but do not normally export, an undertaking not to expand production beyond the requirements of the home market and not to export;
- (c) for exporting countries not already parties to the Chadbourne Agreement, an undertaking not to increase their exports of sugar above their present level;
- (d) for the "Chadbourne countries" an undertaking to continue a limitation of export and production on the lines of the Chadbourne Agreement during the currency of the new scheme;
- (e) for countries which at present produce no sugar, an undertaking not to stimulate the commencement of production artificially."

The Special Sub-Committee on Sugar entrusted the International Sugar Council, which as stated above was holding a meeting in London, with the task of carrying on, with the assistance of the United Kingdom delegation, the detailed negotiations with each one of the countries concerned.

The work of the Council comprised two principal points: (1) that those countries which did not form part of the Brussels Agreement should assume the obligations which were respectively set forth in the above classification; and (2) that the countries participating in the Brussels Agreement should undertake to continue the limitation of their exports, and the restriction of their production, on the lines of the Brussels Agreement during a further period of three years, after its termination.

As regards the first point, after communicating in writing or by personal interviews with the delegations of forty-two countries, the Council submitted an extensive report of the replies obtained, the result of which was that some countries expressed a willingness to co-operate in a more or less satisfactory manner;

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others entirely refused to participate, and yet others abstained from giving a categorical reply on account of lack of specific instructions from their respective governments, which they promised to request. The few replies which were subsequently received, when the Conference had adjourned, were nearly all negative in substance.

With respect to the second point, the International Sugar Council followed a course in its deliberations which seemed to us mistaken. As a matter of fact, the Cuban Sugar Stabilization Institute, the genuine representation of the Cuban sugar industry, had been clamouring, from the beginning of the operation of the Brussels Agreement, that the fixing of the quotas of the participants was inequitable, and especially that the quotas assigned to Cuba lacked a just basis; and this was so evident, that her demands produced, as early as December, 1932, a rectification of the quotas which, while remedying to some extent the injustice, never completely satisfied the Cuban point of view.

When (at the meeting of the Council held in London on June 26th and 27th, 1933) the representation of the Institute explained the reason for, and the object of, the proposal which the Cuban delegation had just submitted to the Monetary and Economic Conference, it set forth very clearly that it was the inequity of the Cuban quota, the disproportion of some of the others, and the difficulties of fully correcting these defects which had made it seem advisable to choose a different system as a basis for a stabilization agreement, as the Cuban representation was convinced that if the same criterion prevailed, an effective world arrangement could never be made, since Cuba would

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be the first country that would not accept it, unless its deficiencies were remedied. Nevertheless, in spite of these statements and warnings, the International Sugar Council sought to secure an agreement from all the participating countries to extend the Brussels Agreement for three years longer, in its existing form, which was equivalent to maintaining the inequality and disproportions which had been repeatedly denounced. This was a grave tactical error.

The Cuban Institute on that occasion maintained its well-known attitude that a rectification was necessary, and, in its desire to facilitate solutions, proposed concretely that the quotas should be rectified, as a first step, in extending the Brussels Agreement. Some of the other participants, believing that by a clever manipulation of the negotiations in the International Council, Cuba could be kept in her disadvantageous position for a further three years, did not pay due attention to the observations and proposal of the Cuban Institute, and in their evident desire to delay the negotiations in order to attain their object, they allowed precious time for the success of a world sugar stabilization convention to transpire.

The final report of the International Sugar Council to the Conference, submitted on the 18th of July, 1933, simply stated, without making other suggestions, that it had not been possible till then, to reach an agreement to extend the Brussels Agreement. Before this communication was sent, the Cuban delegation, in a last and sincere effort to save the work done at the Conference, submitted to the II Sub-Commission (on "Co-ordination of Production and Marketing"), on July 14th, 1933, the following :—

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PROPOSAL OF NEW BASES INTRODUCED BY THE CUBAN DELEGATION TOWARDS A CONVENTION FOR REGULATING THE PRODUCTION AND EXPORT OF SUGAR.

The Cuban delegation, taking due account of the observations offered by the delegates of the convened countries, before the Economic Committee and the Sugar-Sub-Committee, as well as during the discussions with the members of the International Sugar Council, has the honour of presenting several new bases for a Convention tending to regulate the production and export of sugar.

The Cuban delegation suggests that, these bases in their ensemble once having been discussed before the Sugar Sub-Committee, they should be sent to a drafting committee for final discussion, which committee shall take into consideration any other observations that might be submitted, providing the same are not in opposition to the spirit of the Convention.

BASE I.

(a) The Parties to this Convention whose sugar industries are parties to the International Sugar Agreement concluded at Brussels on May 9th, 1931, namely : Germany, Belgium, Cuba, Hungary, Netherlands (for Java), Peru, Poland, Czechoslovakia, and Yugoslavia, undertake to regulate, in their respective countries the exports and production of sugar in accordance with the provisions of the said Agreement, the text of which shall be annexed to the present Convention.

(b) The Resolutions of the International Sugar Council adopted on December 2nd, 1932, which re-arranged certain export quotas for the years 1932-33, 1933-34 and 1934-35 and modified the price levels fixed in Article V of the Agreement of May 9th, 1931, shall be regarded as a part of the said Agreement and the text of the said Resolution shall also be annexed to the present Convention.

(c) Inasmuch as the Agreement of May 9th, 1931, terminates on September 1st, 1935, it is hereby stipulated that the industries which are parties thereto shall extend it for the period from September 1st, 1935, to August 31st, 1938, before the date on which the present Convention comes into force.

(d) The industries which are parties to the Agreement of May 9th, 1931, when extending the said Agreement, shall have the right by acceptance of all the signatories thereto to re-adjust their respective annual export quotas mentioned in Article I of the said Agreement, provided that the sum of the said quotas shall not exceed the total fixed by the said Agreement of May 9th, 1931, as modified by the said Resolution of December 2nd, 1932.

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BASE II.

The Dominican Republic undertakes :—
to limit the exports of sugar from the Dominican Republic for the first two years of the present Convention to the highest quantity exported during either one of the calendar years 1931 or 1932.

In the succeeding three years it shall have the right to export the same quantity per year and also to increase the said export quota under the same condition as applies to the quotas of the parties mentioned in Article I when certain price levels are reached.

The Dominican Republic shall have the right to export during any year of the present Convention a quantity of sugar approximately equivalent to the quantity imported in the same year, in addition to the export quota above allowed, but the total so exported during the five years of this Convention shall not exceed the equivalent of the total quantity of sugar imported during the said five-year period.

The form of legislation for limiting the said exports shall be determined with entire freedom by the Government of the Dominican Republic, being a sufficient guarantee for complying with this Convention, an export duty equivalent to twice the value of the sugar in the world market.

BASE III.

The Republic of Haiti undertakes :—
not to export more than 10,000 tons of sugar per year during the five-year period of this Convention. During the last three years, it shall have the right to increase the said export quota under the same conditions as apply to the quota of the parties mentioned in Article I when certain price levels are reached.

The Republic of Haiti shall have the right to export during any year of the present Convention a quantity of sugar approximately equivalent to the quantity imported in the same year, in addition to the export quota above mentioned, but the total so exported during the five years of this Convention shall not exceed the equivalent of the total quantity of sugar imported during the said five-year period.

BASE IV.

The Union of South Africa undertakes :—
that during the five-year period of this Convention exports from South Africa during any year running from September 1st to 31st August, shall be limited to 160,000 tons of 2,000 lbs.

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BASE V.

The Union of Soviet Socialist Republics undertakes :—
not to export yearly during the life of this Convention a quantity of sugar superior to the amount exported by her during any one of the three years previous to this Agreement.

BASE VI.

The Parties to the present Convention, France, Italy, Japan, Portugal, Spain, who produce in their respective national territories or in their respective colonies, possessions or dependencies a sufficient quantity of sugar to supply their own respective internal consumption, but who do not normally export said sugars, undertake for a period of five years to limit their respective production to their individual requirements and not to export sugar.

Said Parties shall however have the right to export during any year of the present Convention a quantity of sugar approximately equivalent to the quantity imported in the same year, but the total so exported during the five years of the Convention shall not exceed the equivalent of the total quantity of sugar imported during said five-year period.

BASE VII.

The United States of America undertakes :—
for a period of five years to limit the total combined production of sugar in the Continental United States and in the Territories of Hawaii, Puerto Rico, the Philippine Islands and the Virgin Islands to an amount not exceeding the total combined production of said Continental United States and the aforementioned Territories in either one of the two crop years 1931-32 or 1932-33.

The production provided for above may be increased during the last three years of the present Convention by not more than three per cent. each year.

BASE VIII.

The United Kingdom undertakes :—

(1) To limit the amount of home-grown sugar assisted by direct Exchequer subsidies to the following quantity, per year, namely, for the years 1933-34 to 1937-38 : 500,000 metric tons.

(2) To limit the total quantity of sugar exported from the British Crown Colonies, namely : Trinidad, Barbados, Jamaica, Antigua, St. Kitts, Other British West Indies, British Guiana, Mauritius, and Fiji Islands, to the following :—

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for the first and second year of this Convention	842,000 long tons
for the third year	878 000 long tons
for the fourth year	914,000 long tons
for the fifth year	950,000 long tons

As regards Mauritius, Fiji Islands and British Guiana, the first year should be 1st July, 1933, to June 30th, 1934, and as regards the other Colonies, it should be the calendar year 1934.

BASE IX

Australia undertakes :—

up to the 31st of August, 1936, this being the date of the expiring of the present Arrangements under the Australian Sugar Agreement Act of 1932, to limit exports to the maximum annual production of 611,588 tons permissible under that Act, less home consumption for the year in question. As regards the period 1st September, 1936, to 31st August, 1938, the Australian Government undertakes to consult the Parties to the International Sugar Agreement of May 9th, 1931, mentioned in Article I of this Convention, the United Kingdom and the British Dominions, before taking any legislative measures as regards sugar production in Australia.

BASE X.

India undertakes :—

not to export sugar, except to the boundary land States and not to give further impulse to her sugar production as soon as the factories already planned are built.

BASE XI.

The signatory Parties not specially mentioned in the Articles of the present Convention undertake, for the duration of this Convention, not to increase their respective production of sugar above the quantity which they have respectively produced in any one of the two crop years 1931-32 or 1932-33.

BASE XII.

Each State when ratifying the present Convention shall forward a statement of the production of sugar in its territory during the last two years preceding the date when the present Convention comes into effect. Should any other signatory State, or the International Sugar Council, find a reason for controversy in any of said statements, a request shall be made to the Economic Committee of the League of Nations to settle the divergency which has arisen, if the State in question is a member of the

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League of Nations ; and in case it should not be a member and should not wish the question to be decided by said Economic Committee, then an arbitration by experts shall be arranged by common agreement.

ORESTES FERRARA, President of the Cuban delegation."

At this time, the Monetary and Economic Conference was approaching its end in an atmosphere of discouragement. The Sub-Committee on Sugar put an end to its new efforts on behalf of an international stabilization agreement, by adopting the following resolution on July 19th, 1933, which it submitted to Sub-Commission II :—

" The Sub-Committee on Sugar, after taking note
" of the Report submitted to it by the International
" Sugar Council on the results of the negotiations
" pursued up to the present with the various (countries)
" exporters and importers of sugar, thanks the Council
" for that Report and expresses the opinion that in
" view of these results the possibility of concluding a
" general agreement on the production and marketing
" of sugar might be considered.

" It requests the Bureau of the Commission to keep
" in touch with the International Sugar Council and
" to take the steps necessary for the continuation of
" negotiations with the countries concerned, in
" particular with a view to obtaining replies, as soon
" as possible, from the countries whose attitude it has
" not so far been possible to ascertain.

" It will be for the Bureau of the Conference, when
" it thinks it expedient, to summon a further meeting
" of the countries concerned in order to bring about
" the conclusion of a general agreement."

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This resolution was approved on the following day by the Economic Commission, and consequently sugar figured in the list of subjects on which the Conference expected that work would continue.

At this point it seems pertinent to recall the words with which the President of the Cuban delegation, Dr. ORESTES FERRARA, replied to certain observations of the British Minister, Sir PHILIP CUNLIFFE-LISTER : "In ancient times the victims were sent to execution wearing wreaths of flowers. The British Delegate has been more amiable with respect to the Cuban proposal." That was all that the Sub-Committee on Sugar and the Economic Commission could do with the proposed world Sugar Convention : "Send it with flowers to eternal rest."

In a confidential letter which we wrote to the President of Cuba on July 23rd, 1933, we said : "The World Monetary and Economic Conference, with regard to sugar as with respect to other matters which it has studied, has not reached effective conclusions. Whether the time was lost or not, is a matter of personal opinion, but we have learnt this truth : that there is no possibility of arriving at a world sugar agreement useful for countries which, like Cuba, produce sugar for export."

CHAPTER IX.

The Preliminary Sugar Conference held in London, March, 1934.

In order to continue the discussions begun at the World Monetary and Economic Conference, at the request of the International Sugar Council, a Conference was called of representatives of the Governments of the countries parties to the Brussels Agreement, and of the United Kingdom and the United States of America. This conference was held in London from the 4th to the 10th of March, 1934, and the head of the British delegation, Lord PLYMOUTH, was elected Chairman. The only country among those invited that did not attend was Germany.

At this meeting, the United Kingdom delegation stated that their Government were prepared: (a) to limit the quantity of beet sugar produced in the United Kingdom which was assisted by a direct Treasury subsidy to an amount based on the existing production, plus a margin to allow for greater efficiency in the production of beets, and (b), to stabilize the exports of the British Colonies, during two years, to their existing level of 850,000 tons, and to limit them during the three succeeding years to 878,000, 914,000 and 950,000 tons, respectively.

The United States delegation stated that their Government regarded with sympathy an international agreement to obtain a better co-ordination of the production and marketing of sugar in the world, but that as long as the legislation on sugar then pending in the United States was not passed, they could not

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assume any international obligation. With respect to the Philippine Islands they stated, that inasmuch as there were surplus stocks of sugar in those Islands, the amount of which could not exactly be determined, it would be necessary, in their opinion, to sell it in the world markets, but that when this surplus had been disposed of, an effort would be made to limit the production of said Islands so that it would correspond only to the quantities required for exports to the United States and home consumption.

The British delegation maintained, in the course of the discussions, that no international agreement would be effective if it was not based on the real requirements of the markets which were available to the exporting countries, and that, consequently, the total quotas of the countries which adhered to the Convention could not exceed the real demands of the free markets. The resolution which the Conference adopted on this point was as follows :—

“ If an international Convention for the co-ordination of production and marketing of sugar is concluded, and as from the date of the coming into force of that Convention, the export quotas which shall be allotted to each of the countries parties to the Brussels Agreement of 1931 shall not in the aggregate, whatever the distribution of these quotas may be within said Agreement, exceed the total of the real demand on the international market at that moment, this total being estimated on the basis of the statistical situation of the previous twelve months.

“ If quotas have been previously established in such a way, that they exceed in the aggregate the

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“ real demand of the international market, these quotas shall be reduced proportionally until equilibrium between supply and demand is reached.

“ Should the countries parties to the Brussels Agreement fail at any moment during the currency of the Convention, to agree among themselves, so that inordinate competition ensues on the international market, thereby endangering the object of the Convention (i.e., the raising of world prices), the countries parties to that Convention, which are not members of the Brussels Agreement, shall no longer be bound by the provisions of the Convention.”

When the question, whether the countries parties to the Brussels Agreement could reach an agreement among themselves in regard to the distribution of the available world market, was examined, the delegations of Belgium, Czechoslovakia, Cuba, Hungary, Peru, Poland and Yugoslavia stated that in their opinion it was possible to reach such an agreement. The Netherlands delegation (for Java), on the contrary, stated that they did not see any hope of arriving at such an agreement. In view of this situation, the Chairman of the Conference considered that it was useless to continue the discussions for the time being, and the Conference ended, after passing a resolution that the Bureau of the Monetary and Economic Conference, and Lord PLYMOUTH, as Chairman of the meeting, “ should continue to watch the situation carefully,” and the latter expressed himself “willing at any time to consider communications which might be made to him, and to recommend appropriate further action, if at any time it appeared to him that the following two conditions were fulfilled : (1) that the pending legis-

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“lation on sugar had been passed by the United States Congress ; and (2) that as a result of further negotiations, or any new developments, there appeared to be a real prospect of agreement on the division of quotas among the countries parties to the Brussels Agreement after the coming into operation of a general world Convention.”

The points of view of the various countries represented at the Conference were set forth in separate written statements. The Netherlands delegation stated that they considered acceptable for Java only an arrangement which would permit her to export more sugar than she had shipped during either one of the last two years (that is, April to March, 1932-33 and 1933-34), explaining that this would be possible, in spite of the shrinkage which had taken place in the free markets, if (a) the protected European beet exporting countries abstained from exporting sugar until the capacity of the free markets should materially increase ; and (b), Cuba, Peru and the other countries not included in paragraph (a), which supplied said markets, were willing to accept a percentage of the supply of said markets equal to that which they had in the years preceding the Brussels Agreement of 1931. The Netherlands delegation also maintained that the only effective means of stabilizing world sugar production was to attack the evil at its source, that is, to reduce protection, as was done in 1902, in the old Brussels Convention. A study of this question was also recommended by the delegations of the United States, Belgium and Peru.

The view advanced by Java that the European countries should abstain from exporting sugar as long

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as the demands of the free markets did not substantially increase was, of course, rejected by said countries ; they requested, on the contrary, that in any division of the free markets at present available, they should be allotted the same percentage of exports as they had in the Brussels Agreement of 1931.

The Cuban delegation, in two statements, maintained among other points of view that the countries parties to the Brussels Agreement had already as a group made great sacrifices, and consequently it could not be expected that they should now make additional sacrifices ; that the co-operation in an effective manner of the countries outside said Agreement was very necessary to establish the equilibrium between supplies and demand in the free markets ; that the essential object of the proposed Convention should be the raising of prices to a reasonable level ; and that it was vital for Cuba to maintain her present volume of exports to the free markets, and pointed out that the shrinkage which had taken place in the latter had not occurred precisely in those markets to which Cuba naturally and normally sold her sugar.

The Peruvian delegation stated that on account of the geographical situation and special conditions of the small number of factories which existed in Peru, she could only make a very limited readjustment of production.

It is evident from the above summary that the London Conference did not mark a serious advance toward the conclusion of a new world sugar agreement ; on the contrary, the difficulties and conflicting

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interests which it would be necessary to overcome or reconcile were once more emphasized.

The negotiations which have been carried on subsequently between the countries parties to the Brussels Agreement of 1931, and the communications which have taken place between the International Sugar Council and LORD PLYMOUTH have not resulted, up to the present time, in any new action.

NOTE.—After writing the above and the final chapter of this book, there has been an official statement to Parliament by the British Government, on July 30th, 1935, as to their future sugar policy, with respect both to the Home Beet Industry, and to possible international action. With regard to the latter it says :—

“ *IV.—The International Situation.* 25. The Chadbourne Scheme of 1931, which was an attempt on the part of the principal sugar exporting countries to improve market conditions by regulation of exports, has failed in its main object and is due to expire on the 1st September, 1935. Attempts have been made to renew it on a firmer basis, but the negotiations are believed to have reached a deadlock. It has therefore been necessary for the Government to consider very carefully the international situation as a part of the general review of sugar policy upon which they have recently been engaged.

“ 26. With the world price of sugar at its present level, round about 4s. 6d. per cwt., it is safe to assume that no country in the world can produce

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“sugar at a profit. The Government believe that the
“sugar-producing countries can only hope to set the
“industry upon an economic basis by means of an
“international agreement for the adjustment of
“supplies to the requirements of the world market,
“accompanied by the acceptance of the principle that
“State assistance, in whatever form, should every-
“where be diminished as market conditions improve.

“Their own domestic policy, as indicated in the
“first part of this memorandum, is in full accordance
“with this view. They now propose to invite the
“Governments of the sugar-exporting Dominions and
“Colonies to examine with them the possibility of a
“joint endeavour to reopen international negotiations
“if it should appear that there is a reasonable prospect
“of a successful issue thereto.”

CHAPTER X.

The Present Situation of the Sugar Problem.

Upon the termination this year, 1935, of the Brussels Agreement of 1931, the sugar problem will still remain unsolved.

The prices of sugar in the free markets remain at levels very much below the costs of production ; the industry of the exporting countries continues in very distressing economic conditions, and there are still States which persist in developing, by artificial means, anti-economic and disturbing additional production. However, in spite of this adverse objective reality, the general sugar situation presents a less alarming character than five years ago, since the visible surpluses accumulated, which were one of the gravest symptoms in the past, have diminished considerably and it seems probable that those which remain will be eliminated in a short space of time, as a result of measures already adopted, or now being applied ; and with respect to effective world production, it is at present virtually at a level with consumption.

In fact we understand that the underlying cause of the present unfavourable price situation is now to be found rather in the feelings of fear and lack of confidence than in tangible factors, for it is true that in each of the most important producing countries there exists a large industrial and agricultural capacity for production, used in the past, but not being employed at present. This circumstance of itself constitutes a latent threat of over-production, since this excess capacity has not been, or at least there is no proof that it has been, destroyed.

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It is also a fact that economic nationalism, although somewhat weakened, continues to be practised in many countries in such a way as to still inspire well-founded fears that it will lead to the promotion of new protected sugar production, or the increase of existing production, with the inevitable result that the free markets will shrink still further.

We realise that it is not an easy task to overcome the prevailing uncertainties, but we believe that it is less arduous at present than it was on previous occasions. At this moment the old rivalry between natural measures and the so-called artificial remedies reappears. We have come to the conclusion that some of the latter are fundamentally erroneous, and we have lost faith in the practicability of certain others. On the other hand, we are convinced of the necessity of returning to natural measures.

The modern theories of isolated restrictions of production and of international stabilization agreements, after having been applied for a decade, as far as it has been possible to do so, have proved, on account of their failure, that they were ineffective as a means of overcoming past difficulties, and that they do not hold out better hopes of eliminating the present ones. In the case of sugar particularly, the policy of isolated restrictions of production, as a means of stabilizing supply and demand and, consequently, improving prices, has proved useless.

Nevertheless, we cannot fail to recognize that there are some cases in which that policy is justified: we refer to those countries in which the support of the industry rests on a large internal or protected consumption and not on exports to the free markets, either

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because they export very much smaller quantities than they consume at home, or because they do not export at all.

In the case of France, for example, a country which does not export and which sustains a very costly artificial production, by means of a very high tariff and other protective measures, the restriction of production to prevent competition within the national protected market, is a logical necessity and produces evident benefits to those who monopolize the national sugar production.

With respect to Germany, a country which exports its surplus production for financial reasons, or as a means of preventing internal competition, but, compelling the national consumer to pay the costs, already excessive, of the industry plus the losses which those exports produce, the restriction of production is also justified in order to avoid or decrease exports, since the less she exports the less she will lose from the sale of those sugars at the very low prices prevailing in the free markets, and consequently the assistance which the national consumers will be required to give to the industry will also be less.

There may also be cases, as that of Java at present with regard to the markets of British India, and as was the case with Cuba with respect to the United States, that certain markets in which the exporting countries enjoy a preferential situation (geographical or political) disappear or decrease to an exceptional degree; in those cases restriction will be equally justified, since consumption, in whole or in part, has ceased to exist. The same may occur to Peru with respect to the Chilean market.

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But, in general, when we are dealing with countries which are essentially exporters, which only consume a small part of their production, then it must be admitted that the policy of isolated restrictions is a veritable suicide.

The phenomena of over-production and of prices at ruinous levels occur precisely in the free markets where the exports of this group of countries go, as well as the exports of those countries to which exports are not essential for the maintenance of the industry.

No one can say *a priori*, what country in particular is responsible for over-production in the world's free markets. On the other hand, the country which dares to restrict by itself will undoubtedly destroy for the future its own exports for the benefit of those countries which do not restrict, since the latter will remain in possession of continually larger portions of the free markets.

It is also an unpardonable error for countries which produce for a large home consumption and large exports to restrict production with the object of raising prices. In these cases, all the sacrifice made will undoubtedly result in a real subsidy in favour of the other countries which export to the free markets, since the latter will preserve intact (or perhaps increase) their exports to said markets at the expense of the country which may have made the mistake of restricting. And in the end, for this reason, prices will not rise in a consistent manner.

If a country, which is at the same time a great consumer and a great exporter, wishes to improve the situation of its own producers, injured by the low prices prevailing in the free markets, it must do so at

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the expense of its own home consumers, keeping the price up in the national market by means of the usual systems of quotas or by direct assistance in the form of subsidies and allowing the balance of its production to go to the free markets, to compete there with the other producers. It is this struggle in the open field which will decide the fate of world prices and of over-production, and it will be decided undoubtedly by the working of the elemental laws of political economy.

With regard to international stabilizing agreements, it cannot be denied that a convention to which all the producing countries were parties, which provided for the limitation of production and exports to their present quantities, and which placed a check on protection, either by reducing it from the start or limiting it with the idea of gradual future reductions, that is to say, a theoretically complete convention, would be very useful for the definitive solution of the sugar problem. But, as we have repeatedly stated, the experiences of the past and a direct knowledge of the internal position in the various countries, have convinced us that this is all a beautiful ideal, unattainable in practice. We are firmly convinced that it represents an economic Utopia.

On the other hand we consider that the period of experiments has passed, and that we are in the presence of conditions in which the elemental economic laws have always proved to be serviceable. The most far-reaching effects of the nationalistic policy in the field of sugar have already been experienced in all their force, in the shrinking of the world markets, which have been enormously reduced in the last five years. But, for the moment at least, there are not sufficient

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indications to lead us to believe that the wave of nationalism will continue to increase beyond certain limits, and much less that through its action the export markets which still remain will completely disappear. We can therefore assume that there will continue to be free markets, and that they will be of sufficient capacity so that their economic phenomena, among which will always be the world price and over-production, will deserve to be studied.

Before the Brussels Agreement of 1931, that is, in 1929-30, the free markets absorbed a total of nearly 6,000,000 metric tons of non-preferential sugars. The countries which participated in said Agreement contributed approximately 5,400,000 tons, while the countries which did not adhere supplied about 600,000 tons. In the fourth year of the Agreement, 1933-34, the free markets took a total of only about 3,300,000 metric tons, to which quantity the requirements of said markets had been reduced. Of this amount somewhat over 2,800,000 tons were supplied by the countries parties to the Agreement, although they are permitted by the quotas authorized in said Agreement to export in that year a total of 5,061,300 tons. The non-participating countries contributed the remaining 500,000 tons.

These figures show that the free markets still have a consuming capacity (for non-preferential sugars) in excess of 3,000,000 tons per annum ; that the countries not parties to the Brussels Agreement maintained their exports to said markets with a loss of only about 100,000 tons, while the parties to it, on the other hand, experienced the force of its shrinkage, since they were compelled to reduce their exports by approximately 2,600,000 tons.

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Moreover, the above figures have a great significance in the field of economic doctrines, since they reveal another fact of far-reaching effect, namely, that the reduction of the exports to the free markets by the associated countries has gone farther than their contractual obligations and that the exports of the non-associated countries also decreased of their free accord. The true explanation of both voluntary reductions is to be found in the economic necessity for exports to keep on a parity with the continually reduced capacity of absorption of the free markets.

And if this is so, it must be admitted that such a natural reduction of exports (together with its correlative reduction of production), not forced by any international agreement for artificial restriction, although it might be attributed up to a certain point to the consequences of economic nationalism, has been due principally to the effect which too low prices—on account of the slackness of demand and the abundance of the commodity—always have on the exports and production of any article. More sugar is not exported or produced, although there is liberty to do so, when there is no demand and consequently when the price, brought down by the accumulation of offers, does not cover the costs of production. There is no other alternative. And this is precisely the characteristic manner of operating and the most evident symptom of the predominance of the old economic laws.

In conclusion, the first proofs of the normal working of the economic laws having been given in an unequivocal manner in the facts which have been examined above, we consider that the moment has arrived when the world sugar situation, as far as the

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free markets are concerned, can and should settle itself, without the need of artificial measures, exactly in the manner that the classic teachings of political economy recommend. What economic science advises, in such circumstance as the present, is to allow the elemental laws which have always regulated the production and consumption of the primary commodities to operate.

In a world with excess productive capacity for sugar, it is not possible to go on believing that all the wealth invested in creating that excess capacity can be saved. The significant fact that some part of it has spontaneously ceased to operate, on account of the impossibility of finding markets for its output, is the first step in the process of the normal solution of the sugar problem. This is the course which should be followed by the other producing units which find themselves in a situation of inferiority, due either to technical, geographical or political reasons, or to a combination of them. In this way, only the strongest and best defended productions will survive.

Those producers who oppose this economic reality, by attempting to maintain a weak or undefended production, or by wishing to produce more than the real possibilities of their markets, will be irremediably overcome by their own errors.

Consequently, the definitive abandonment of artificial remedies does not at all imply a return to the frenzy of unlimited production carried on under the impulse of individual considerations and without a due regard to elemental economic laws. The world is not and never will be, in normal periods, a reservoir which will absorb all the economic errors of producers.

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But in order to guide the latter there is no need, as it was not necessary before the World War, that the State should intervene by creating artificial systems.

However, there still remain disturbing factors in world economy arising from economic nationalism. Against this sort of policy, as we have said before, economic laws have no action, since it represents the predominance of force which operates with brutal reality ; its continuance or disappearance is, therefore, something which eludes all reasoning or calculation.

At present there seems noticeable a less vigorous sentiment in favour of that economic theory. But this is not more than a confused impression. Blinded by reasoning of various kinds, the countries of the world are still supporting, without great protest, the most costly systems of sugar production created by artificial means, and for the exclusive benefit of certain privileged groups.

Now then, in the field of conjecture, we may point out that the day when the orgy of protection ceases or is greatly attenuated, will be the time when the world sugar problem will be completely and definitively solved, since the protection created and maintained by artificial means and at the cost of great economic sacrifices by the peoples who bear them, will be reduced to more reasonable limits and the available productive capacity in the world's natural producing areas will not capriciously exceed the requirements of demand.

Meanwhile, and with greater reason thereafter, only the free play of elemental economic laws will restore the prosperity of the world sugar industry.

APPENDIXES.

APPENDIX I.

Brussels Agreement of May 9th, 1931.

AGREEMENT between :

Instituto Cubano de Estabilización del Azúcar (Cuban Sugar Stabilization Institute), a Cuban Corporation ;

Vereeniging van Java Suiker Ondernemers ter Quoteering der Uitvoeren bij Internationaal Contract (Visoco), (Association of Java Sugar Manufacturers for the Determination of Export Quota under International Agreement), a Netherlands Corporation ;

Wirtschaftliche Vereinigung der Deutschen Zucker-Industrie (The Economic Union of the German Sugar Industry), a German Corporation ;

Ustřední spolek československého průmyslu cukrovarnického (Central Association of the Czechoslovak Sugar Industry), a Czechoslovakian Corporation ;

Związek Zachodnio-Polskiego Przemysłu Cukrowniczego w Poznaniu Stowarzyszenie wpisane (Polish Occidental Sugar Industry Association in Poznan Registered Company), and

Związek Zawodowy Cukrowni b. Królestwa Polskiego, Wołyńia, Małopolski i Śląska w Warszawie (Professional Association of Sugar Factories of the former Kingdom of Poland, Volhynia, Little Poland and Silesia in Warsaw), Polish Corporations ;

Magyar Cukörgyárosok Országos Egyesülete (Hungarian Sugar Manufacturers' Association), a Hungarian Corporation ; and

The Thirty-Five Members of the Union Economique Belgo-Luxembourgeoise hereinafter mentioned, being all the Sugar Producers of Belgium and Luxembourg.

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The parties are acting in the interest of the sugar industries of their respective countries, which are the principal exporting countries of the world. As a result of the great increase of production and the accumulation of large surplus stocks, there has been brought about a decline in the world price of sugar to such an extent that such price is substantially less than the cost of production. These conditions have brought the sugar industry face to face with disaster, and the continuance thereof will result in much suffering and hardship in such countries. The parties therefore consider it their duty to take such steps as will remedy these conditions and promote and protect their industry from a recurrence of the same, and to that end enter into this Agreement.

To carry into effect the purpose of this Agreement, it is considered of great importance that legal measures shall be taken in the respective countries either through the form of legislation or by official decree for the limitation of exports for the period of this Agreement in accordance with the provisions hereof. The parties agree that, if and when enacted, they will use their best efforts for the retention and proper and effective enforcement of such legal measures during the period of this Agreement. While these measures have been enacted in Cuba, Java and Germany, the same have not been completed in the other countries. The respective parties in such other countries agree to use their best efforts for the prompt enactment of such measures.

DESCRIPTION OF PARTIES

Instituto Cubano de Estabilización del Azúcar (Cuban Sugar Stabilization Institute), hereinafter sometimes referred to as the "Cuban Corporation," is a corporation duly organized as a legal person under a decree of the President of the Republic of Cuba approved May 6th, 1931, issued in accordance with authority conferred upon said Executive by the Law of October 4, 1927, and by the Sugar Stabilization Law of November 15, 1930, and published in the Official Gazette of the Republic of Cuba, May 6th, 1931, for the purpose among others of entering into an international conference or conferences on questions having to do with sugar with producers of sugar or delegates of other sugar producing countries and, with the approval of the President of the Republic, to carry out negotiations and make Agreements with the producers of sugar of other countries or others acting for or in representation of such producers or with the representatives of other governments or countries regarding the production or export of sugar, which approval of the President of Cuba has been given by Presidential decree dated May 7th, 1931, and published in the Official Gazette of the Republic of Cuba, May 7th, 1931. The powers of said corporation are fully set forth in the said decree. The provisions of this Agreement respecting the Cuban Corporation have the force of law in Cuba by virtue of the

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provisions of the Sugar Stabilization Law of November 15th, 1930, and are effective with respect to all producers (present and future) of sugar in Cuba.

Vereeniging van Java Suiker Ondernemers ter Quoteering der Uitvoeren bij Internationaal Contract (Visoco) (Association of Java Sugar Manufacturers for the Determination of Export Quota under International Contract), hereinafter sometimes referred to as the "Java Corporation," is a corporation duly organized as a legal person under the laws of the Netherlands and has been duly authorized to enter into this Agreement by a resolution of its council passed in accordance with its statutes. The members of said corporation control about three-fourths of the Java sugar production, and the co-operation of its members necessary to enable the corporation to fulfil its obligations emanating from this Agreement is fully guaranteed. Said corporation is prepared to take the necessary proceedings for the modification of its statutes providing that the successors in interest to the factories of its members shall undertake the same obligations towards the corporation as those of the present members.

Wirtschaftliche Vereinigung der Deutschen Zucker-Industrie (The Economic Union of the German Sugar Industry), hereinafter sometimes referred to as the "German Corporation," is a corporation duly organized as a legal person by Special Decree of the *Minister für Ernährung und Landwirtschaft* (Minister of Food and Agriculture), dated March 27th, 1931, made pursuant to a decree of the Reichspräsident, having force of law and dated December 1st, 1930. Said Corporation is authorized by said Decree and its statutes to enter into this Agreement, which, pursuant to said Decree and the laws of the Reich, is effective with respect to all producers (present and future) of sugar in Germany. Said Corporation represents that all proceedings have been taken pursuant to said Decree and statutes to authorize the execution of this Agreement.

Ústřední spolek československého průmyslu cukrovarnického (Central Association of the Czechoslovak Sugar Industry), hereinafter sometimes referred to as the "Czechoslovakian Corporation," is a corporation duly organized as a legal person under the laws of Czechoslovakia and has been duly authorized to enter into this Agreement by a resolution of its council passed in accordance with its statutes. The members of said corporation control about ninety-six (96%) per cent. of the Czechoslovak sugar production, and the co-operation of its members necessary to enable the corporation to fulfil its obligations emanating from this Agreement is fully guaranteed. Said corporation has made an arrangement with its members providing that the successors in interest to the factories of its members shall undertake the same obligations towards the corporation as those of the present members.

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Zwiazek Zachodnio-Polskiego Przemyslu Cukrowniczego w Poznaniu Stowarzyszenie wpisane (Polish Occidental Sugar Industry Association in Poznan Registered Company), and

Zwiazek Zawodowy Cukrowni b. Krolestwa Polskiego, Wolynia, Malopolski i Slaska w Warszawie (Professional Association of Sugar Factories of the former Kingdom of Poland, Volhynia, Little Poland and Silesia in Warsaw), are corporations duly organized as legal persons under the laws of Poland and have been duly authorized to enter into this Agreement by resolutions of their councils passed in accordance with their statutes. The members of said corporations constitute all of the sugar producers of Poland and the co-operation of said members necessary to enable the corporations to fulfil their obligations emanating from this Agreement is fully guaranteed. Said corporations have respectively made arrangements with their members providing that the successors in interest to the factories of their members shall undertake the same obligations towards said corporations respectively as those of the present members. Said corporations are hereinafter sometimes referred to jointly as the "Polish Corporations."

Magyar Cukorgyárosok Országos Egyesülete (Hungarian Sugar Manufacturers' Association), sometimes hereinafter referred to as the "Hungarian Corporation," is a corporation duly organized as a legal person under the laws of Hungary and has been duly authorized to enter into this Agreement by a resolution of its council passed in accordance with its statutes. The members of said corporation constitute all of the sugar producers of Hungary, and the co-operation of said members necessary to enable the corporation to fulfil its obligations emanating from this Agreement is fully guaranteed. Said corporation is prepared to make an arrangement with its members providing that the successors in interest to the factories of its members shall undertake the same obligations towards the corporation as those of the present members.

The Thirty-Five Members of the Union Economique Belgo-Luxembourgeoise, described in Annex A, represent that they are all of the sugar producers of Belgium and Luxembourg and have duly authorized the execution of this Agreement on behalf of themselves and their respective successors in interest to their respective properties. They are hereinafter jointly referred to as the "Belgian Producers."

ARTICLE I.—EXPORTS.

(a) The Cuban Corporation agrees that exports of sugar from the Republic of Cuba to countries other than the United States of America shall not exceed the following respective quotas in each of the five years beginning with January 1st, 1931, to and including December 31st, 1935, i.e. :

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1931	655,000 long tons
1932	805,000 long tons
1933	855,000 long tons
1934	855,000 long tons
1935	855,000 long tons

Sugars, exported or re-exported from the United States of America, shall, for the year in which such exports or re-exports occurred, to the extent that the same exceed the imports of sugar in such year to the United States of America from countries other than the United States of America and Cuba, be deducted from the export quota as fixed above for Cuba to countries other than the United States of America; any amount by which Cuba's exports to such other countries were not reduced as hereinbefore provided (because of the exports or re-exports from the United States of America occurring too late in the year to permit of a reduction of Cuba's exports or otherwise) shall be deducted from the export quota of Cuba to such other countries for the following year. Exports of low grade sugar, so called dry sugar or muscovados, not polarizing above 88 per cent., from the Philippine Islands to China and/or Japan, shall not be considered as exports from the United States of America under this Agreement to the extent of 10,000 long tons annually. Sugars produced in the United States of America and sugars imported into the United States of America, which are exported or re-exported from the United States of America to countries other than the United States of America, after being refined in the United States of America, shall, for the purpose of this paragraph, be converted into the equivalent of Cuban raw sugar to ascertain the quantity so exported or re-exported. The United States of America, for the purposes of this Agreement, includes not only the 48 individual States and the District of Columbia, but as well the present possessions of the United States of America, including the Philippine Islands, Hawaii, Porto Rico and the Virgin Islands, but as to each such possession only for such period (whether or not it continues to be a possession of the United States) as sugar produced in such possession may be imported into the territorial United States either free of duty or subject to a preferential tariff. Imports, exports and re-exports mentioned in this paragraph shall be ascertained from the official Government statistics of the United States.

(b) The Java Corporation agrees that the exports of sugar from Java in each of the five years beginning with April 1st, 1931, to and including March 31st, 1936, shall not exceed the following respective quotas:

April 1st, 1931 to March 31st, 1932 ..	2,300,000 metric tons
April 1st, 1932 to March 31st, 1933 ..	2,400,000 metric tons
April 1st, 1933 to March 31st, 1934 ..	2,500,000 metric tons
April 1st, 1934 to March 31st, 1935 ..	2,600,000 metric tons
April 1st, 1935 to March 31st, 1936 ..	2,700,000 metric tons

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The increase in the quota of exports for Java above 2,300,000 metric tons beginning with April 1st, 1932, is subject to the condition that if in any of the four years beginning with the last mentioned date there are accumulated additional stocks of Java sugars by reason of the inability of Java to export its export quotas for such year above provided, then it is agreed that Java shall take measures purposing to adjust its production accordingly when planting its next year's crop; the intent being that the production of Java will not, by reason of the cumulative annual increases in its quota above provided, be so increased that additional surplus stocks will be accumulated.

(c) The German Corporation, Polish Corporations, the Hungarian Corporations and Belgian Producers respectively agree that the exports of sugar from their respective countries for each of the five years beginning with September 1st, 1930, shall not exceed the following respective quotas :

	Metric Tons
Germany, for the year beginning September 1st, 1930	500,000
Germany, for the year beginning September 1st, 1931	350,000
Germany, for the year beginning September 1st, 1932	300,000
Germany, for the year beginning September 1st, 1933	300,000
Germany, for the year beginning September 1st, 1934	300,000
Poland annually	308,812
Hungary annually	84,100
Belgium annually	30,275

The Czechoslovakian Corporation agrees that the exports of sugar from Czechoslovakia for each of the five years beginning with October 1st, 1930, shall not exceed 570,817 metric tons.

(d) Inasmuch as the five-year period of this Agreement for Germany, Poland, Hungary and Belgium expires September 1st, 1935, such date shall likewise be the termination date hereof for Cuba, Java and Czechoslovakia. The quota of exports for Cuba to countries other than the United States of America for the period January 1st, 1935, to September 1st, 1935, shall be such proportion of the quota fixed for Cuba for exports to countries other than the United States of America for the calendar year 1935, as the total actual quantity of exports of sugar from Cuba to countries other than the United States of America during the respective periods from January 1st to September 1st, for the four calendar years 1931 to 1934, is to the total actual exports of sugar from Cuba to countries other than the United States of America during the total four-year period beginning January 1st, 1931.

The export quota of Java for such period April 1st, 1935, to September 1st, 1935, shall be such proportion of the total quota above fixed for the period from April 1st, 1935 to April 1st, 1936, as the total actual quantity of exports of sugar from Java during the respective periods from April 1st to September 1st for the

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four calendar years 1931 to 1934, is to the total actual exports of sugar from Java for the four-year period beginning April 1st, 1931.

The export quota of Czechoslovakia for such period October 1st, 1934 to September 1st, 1935, shall be such proportion of the annual quota of Czechoslovakia, as the total actual quantity of exports of sugar from Czechoslovakia during the four periods of eleven months, i.e. :

October 1st, 1930 to September 1st, 1931 ;
October 1st, 1931 to September 1st, 1932 ;
October 1st, 1932 to September 1st, 1933 ; and
October 1st, 1933 to September 1st, 1934 ;

is to the total actual exports of sugar from Czechoslovakia for the entire four-year period from October 1st, 1930, to October 1st, 1934.

(e) If, in any quota year for which an export quota is fixed for any country in this Article I, the actual exports from such country shall be less than such quota, the deficiency shall not be added to nor affect any subsequent quota year ; it being understood that each quota year shall be separate and independent of any other year ; provided, however, that if, in any quota year the shipment or transportation of sugar within or from any of the countries mentioned in this Agreement is interfered with by reason of strike, fire, internal disturbance, ice or high or low water in waterways, act of God or similar *force majeure* (other than destruction or shortage of crops and/or sugar from any cause), the International Sugar Council shall have power to determine whether or not the extent to which such *force majeure* prevented the export of the quota allotted to such country for such quota year. If the Council determines that any such *force majeure* prevented the export of the quota of such country during such period, then the quantity of sugar which such country was so unable to export as determined by the Council, shall be added to its quota for the following quota year.

(f) Except as provided in Article VI, no transfer of quotas from one country to another shall be permitted.

ARTICLE II.—SURPLUS STOCKS AND PRODUCTION

(a) It is agreed that part of the exports from the respective countries each year (within the limits of the respective quotas herein set forth) shall consist of surplus stocks on hand in the several countries, and that as far as possible the production of such countries shall be adjusted during the term of this Agreement, so that it will not exceed the local consumption of the respective country plus its export quota (and in the case of Cuba, plus its exports to the United States of America), less the quantity to be taken from the surplus stocks as herein provided, so that all surplus stocks of said countries will have been eliminated in the course of the respective five-year periods above mentioned.

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(b) There has been organized in Cuba, *Compania Exportadora Nacional de Azucar* (The National Sugar Exporting Corporation), pursuant to the Sugar Stabilization Law approved November 15th, 1930. Said corporation, on January 1st, 1931, held or had contracts for the acquisition of approximately 1,300,000 long tons of sugar from the old crops. Of this amount it is intended to export, during 1931, 260,000 long tons. In addition, there were additional surplus stocks of sugar of the past crop on January 1st, 1931, which were taken into account in ascertaining the total amount of the crop fixed by the President of the Republic of Cuba for 1931, pursuant to his Decree dated January 31st, 1931.

(c) The Java Corporation agrees that the surplus stocks of sugar in Java on April 1st, 1931, were approximately 500,000 metric tons; and further agrees that if the sugar produced from the crop to be harvested in Java in the year beginning April 1st, 1931, exceeds the total of (a) 2,200,000 metric tons and (b) the amount of sugar consumed in Java during such year, the excess will be segregated and included in the sugars to be exported from Java during the following four years of this Agreement (within the limits of its respective quotas above provided) and the production of Java in such four years limited as hereinafter provided.

(d) The German Corporation, Czechoslovakian Corporation, Polish Corporations, Hungarian Corporation and Belgian Producers, respectively, agree that the respective surplus stocks of sugar in their respective countries on September 1st, 1930, aggregated the quantities respectively set forth below, i.e.:

Germany	84,000 Metric Tons
Czechoslovakia	9,000 Metric Tons
Poland	80,000 Metric Tons
Hungary	16,199 Metric Tons
Belgium	29,000 Metric Tons

and that after providing for (a) their respective effective exports, but not in excess of their respective quotas permitted by this Agreement for the year beginning September 1st, 1930, and (b) the respective quantities consumed in their respective countries in such year, there will be retained in each country as a surplus stock, the excess of sugar produced from the crop harvested in the year beginning September 1st, 1930, as well as said surplus stocks existing on September 1st, 1930, such surplus to be exported in accordance with the provisions of the following paragraph (e), provided, however, that the dates mentioned in this paragraph shall, in the case of Czechoslovakia, be October 1st, 1930, instead of September 1st, 1930.

(e) The amount to be exported from each country annually, as set forth in Article I, shall consist, either in whole or in part, of surplus stocks above set forth and/or of new sugars produced currently, the parties intending, however, that the surplus stocks

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of each country shall, in the course of the respective five-year periods above mentioned, be entirely disposed of and eliminated by being included either in the quantities consumed in the respective country or in its export quota. The parties respectively agree that as far as possible the production of sugar in their countries shall be adjusted beginning with the coming year's sowings, plantings or harvesting, so that such production shall, with the portion of the surplus stocks of such country to be disposed of annually, equal the local consumption of such country plus the amount of the export quota allotted to such country; the intent being that the surplus stocks in the European countries existing on September 1st, 1931 (in the case of Czechoslovakia October 1st, 1931) shall be decreased at least approximately at the rate of 25 per cent. for each of the remaining four years of the Agreement; the surplus stock of Java existing on April 1st, 1932, likewise to be reduced at least approximately at the rate of 25 per cent. for each year from that date; the segregated stock in Cuba to be reduced at the rate of at least approximately 260,000 long tons per annum; so that all such surplus stocks shall be practically eliminated during the period of this Agreement and no additional surplus stocks created. In any country, however, there may be substituted for sugars included in existing surplus stocks a like quantity of sugar from the crop of said country in any quota year, provided that no such substitution shall operate to increase the quantity to be exported by such country in any quota year as hereinbefore provided in Article I, nor operate to increase the surplus stocks of such country above the quantity contemplated by this Article after deducting from such stocks the amount by which such stocks are to be decreased annually as above provided. If any one of the countries, for any reason, does not produce a crop large enough (after providing for its local consumption) to provide for its total export quota for such year after taking into account the quantity to be taken from its surplus stocks, such country may provide the deficiency from the surplus stocks without affecting the right of such country in future years to its export quota hereinabove provided for such future years.

The Java Corporation agrees to take measures to the effect that the production of its members will be limited in accordance with the foregoing principles, so that additional surplus stocks will not be created and that their present surplus stocks will be practically eliminated. Said Corporation will use its best endeavours to have legislation passed in Java as early as practicable to require the Java producers who are not members of the Corporation similarly to adjust their production.

Inasmuch as this Agreement does not control the exports of Cuba to the United States of America, it is understood that the foregoing provisions of this section (c) are not intended, so far as Cuba is concerned, to limit the export of its segregated or surplus

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stocks to countries other than the United States, but that the same may be exported, in whole or in part, to the United States of America, and it is further understood that the production of Cuba will be limited to the total quantity necessary to provide for its home consumption, its exports to countries other than the United States of America, and its exports to the United States of America, to the extent that said home consumption and exports are not provided for by the amount to be taken annually from the segregated stocks of Cuba as above provided.

The Cuban Corporation agrees that on September 1st, 1935, the Cuban Producers will not have in the United States of America stocks of sugar in excess of the normal and usual stocks of sugar usually maintained by them in the United States for the requirements of the markets of the United States.

ARTICLE III.—DEFINITIONS—STATISTICS.

The term "exports" as used in this Agreement in connection with the exports of the respective countries of the parties to this Agreement, means net exports from such countries respectively.

Sugar imported in bond for refining purposes into any of the countries represented in this Agreement, or into the United States of America, will not be considered as having been imported as long as it remains in bond; likewise such sugar being exported after refining will not be considered as export under this Agreement; provided that the foregoing clause does not apply to Cuban sugars imported into the United States of America. Government statistics as to the foregoing shall be furnished by the respective parties.

As export of sugar from Poland shall be considered all sugar that has left the territory falling under the Polish laws re excise and re the regulation of the turnover of sugar.

As long as the present Customs Union between Belgium and Luxembourg continues in effect, Belgium and Luxembourg shall be considered as one country for the purposes of this Agreement.

The term "long tons" as used in this Agreement shall mean 2,240 pounds avoirdupois weight.

The term "metric tons" as used in this Agreement shall mean 1,000 kilograms.

The respective exportable quantities of sugar heretofore mentioned shall, in the case of Cuba and Java, mean and refer to the nature and the types of sugar heretofore exported by such countries respectively; and, in the case of the European countries above mentioned, shall mean raw sugar Tel Quel, European white sugars to be converted to a raw basis at the rate of nine parts white to ten parts raw. Such quantities shall, in all cases, mean net weight excluding the container.

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The word "sugar" as used in this Agreement shall be deemed to include sugar in any of its commercial forms, except the product sold as final molasses, and also the so-called "Goela Mangkok" sugar produced by primitive methods by natives of Java for their own account to which sugar the Java Government does not extend its legislative measures.

STATISTICS.

The parties agree to furnish the International Sugar Council hereinafter provided for, with official government statistics of their respective countries immediately after the publication thereof, showing the total quantities of sugar exported and imported in each month and the form in which such export or import was made, and in the case of European beet countries the equivalent thereof in raw sugar, and also in each case as far as possible the destination of said exports respectively; provided, however, that as to Java, the Java Corporation will furnish unofficial statistics respecting the foregoing matters as early as practicable, and will furnish the official Government statistics as soon as possible after the publication thereof. There shall also be furnished similarly statistics as to production and estimated stocks. Any revision or correction of said statistics shall likewise be promptly submitted to the International Sugar Council. Within thirty (30) days after the execution of this Agreement, the respective parties shall also furnish such statistics for the calendar months of the term of this Agreement which shall have preceded the formal execution and delivery thereof. If any party fails to furnish any such statistics, the International Sugar Council shall procure the same from such source as it considers reliable. The International Sugar Council may specify the forms to be used for the furnishing of the statistical information by the parties.

ARTICLE IV.—INTERNATIONAL SUGAR COUNCIL.

(a) There is hereby created an International Sugar Council (herein referred to as the "Council") representing the parties to this Agreement, which shall consist of three members for the industry of each of the countries represented in this Agreement, except that the Czechoslovakian Corporation may appoint as many members as it considers advisable, provided, however, that the members representing the industry of each country shall designate in writing to the Chairman of the Council one member who shall, at meetings of the Council, cast the vote of the party or parties representing such industry, and shall also designate an alternate to act in the absence of the member so designated. The party or parties representing in this Agreement the industry of each country shall appoint their said representatives on the Council, and in addition shall appoint three further members, who shall act as alternates in their order of appoint-

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ment in the absence or disability of any of the regular members representing such party or parties on the Council. Upon the execution of this Agreement, the party or parties representing the industry of each country shall deliver an instrument duly executed by such party or parties, setting forth the names of its appointees and alternates to the Council. Any member of the Council or alternate may be removed at any time by the party or parties who appointed him. If any member of the Council should die or become disabled or resign or fail to act or be removed, the party or parties appointing such member shall promptly select a successor, so that such party or parties may be duly represented at all meetings of the Council.

The Belgian Producers respectively agree that in case it is necessary to fill a vacancy in their representatives upon the Council, they shall, as early as possible, call a general meeting of their producers, which meeting shall, by a majority vote, fill the vacancy.

(b) The seat of the International Sugar Council shall be at The Hague, at which place an office is to be maintained during the term of this Agreement. Meetings of the International Sugar Council shall be held in Europe at the place designated by the Chairman from time to time.

(c) Regular meetings of the Council shall be held quarterly on the second Monday of March, June, September and December. Special meetings may be called at any time either (a) by the Chairman of the Council, in his discretion, or (b) upon the written request of the members of the Council representing the industries of two countries, which request shall state the purpose of the meeting and be delivered to the Chairman of the Council, the time for such special meeting to be at least twenty days but not more than thirty days after such request has been so delivered. Such request shall be sufficient if signed by at least two of the members of the Council representing the industry of each of said two countries. Upon the receipt of such request, the Chairman shall cause notice of such meeting to be given as hereinafter provided.

(d) The Chairman of the Council shall cause a notice of all meetings, regular and special, to be given in writing by mail and cable to each member of the Council, at his regular address, at least fourteen days before the date for the meeting. Such notice shall state the matters to be brought before the meeting. Any two members of the Council may, in writing, request the Chairman thereof, at least twenty days before any regular meeting, to incorporate in the notice of such meeting, any matters or purposes within the powers of the Council, for consideration at the meeting, and the Chairman shall thereupon incorporate in such notice such matters or purposes. Only matters stated in the notice of each meeting may be considered thereat, unless all of the parties to this Agreement are represented at such meeting and otherwise consent.

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(e) The number of votes which the respective parties shall be entitled to cast at each meeting of the Council through their respective representatives shall be as follows :

	Votes
The Cuban Corporation	35
The Java Corporation	30
The Czechoslovakian Corporation	8
The German Corporation	6
The Polish Corporations, jointly	6
The Hungarian Corporation	3
The Belgian Producers, jointly	2
Total	90

(f) At all duly-called meetings of the Council, the members of the Council who are present shall constitute a quorum (regardless of the number of votes to which such members are entitled), and a majority of the votes present at any meeting shall be sufficient to authorize any and all action taken at any such meeting, except in the following instances, which shall require the respective votes hereinafter specified :

1. The first resolution adopted by the Council shall not be modified, altered or repealed, except by the unanimous vote of the Council. Likewise the unanimous vote of the Council shall be required to modify, alter or repeal any other resolution of the Council which has been adopted upon the condition that it shall not be modified, altered or repealed except by such unanimous vote.
2. Action taken for the increase of quotas under the provisions of paragraph (g) of Article V shall require fifty-five (55) votes.
3. Any arrangement or agreement contemplating the admission as a party to this Agreement of the industry of any other country than the countries originally represented herein, shall require the unanimous vote of the Council, as provided in Article VII.
4. Action referred to in the second paragraph of Article VII shall require fifty-five (55) votes.
5. The appointment of arbitrators under the provisions of paragraph (a) of Article VIII shall require the unanimous vote of the Council.
6. Action taken under paragraph (e) of Article VIII shall require three-fourths ($3/4$) of all the votes allotted to the respective parties under Article IV, excluding the party or parties representing the country from which it is claimed the excess of exports was made, which majority to be sufficient shall consist of the votes allotted to the parties acting for the industries of at least two-thirds of the countries represented in this Agreement, excluding the country from which such excess of exports is claimed to have been made.

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(g) Any party or parties representing the industry of any country may, by special power of attorney signed by at least two (2) of the Members of the Council representing such party or parties, authorize any Member of the Council representing another party to cast at a meeting of the Council the votes which the representatives of such party or parties are entitled to cast at such meeting, such written instrument to be filed with the Chairman of the Council.

(h) The Council may act without a meeting by written instrument signed by members of the Council as hereinafter provided. Whenever any such action is proposed to be taken by written instrument, the Chairman shall give notice thereof to each member of the Council by registered mail. If, within fourteen (14) days after the mailing of such notice, the member of the Council entitled to cast the vote of any party or parties does not approve such instrument but instead delivers to the Chairman his written demand that a meeting of the Council be called to consider the proposal, then the proposed action cannot be made effective by such written instrument, but must be submitted to a meeting of the Council which the Chairman shall then immediately call; but if no such demand is presented to the Chairman within said period of fourteen (14) days, then the proposal shall be effective if and when such written instrument is approved in writing by Members of the Council authorized to vote for parties entitled to a total of fifty-five (55) votes, or such greater vote as may be specifically required by this Agreement for the proposed action; provided, however, that if such written approval is not given within a period to be fixed by the Chairman in requesting approval as aforesaid, the proposal shall be considered to have been rejected. The Chairman shall notify all parties of any action taken by the Council pursuant to this paragraph.

(i) *Powers.* The Council shall have the following powers:

1. The supervision of the operation of this Agreement.
2. The collection of statistics and information respecting the production, consumption, stocks and requirements of the countries of the several parties to this Agreement, as well as all other countries.
3. The study of the progress or retrogression of sugar consumption and the reasons therefor.
4. The study of ways and means for the increase of the consumption of sugar in the world.
5. The recommendation to parties to this Agreement of measures for the improvement, development and/or control of production and consumption.
6. The publication, at regular intervals, of accurate statistics regarding the world situation of sugar, and to suggest to the parties steps to be taken respecting the adjustment of production with actual needs and exports and to improve the method of selling and marketing.

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7. The consideration and discussion with producers of countries not represented by the parties to this Agreement, of measures of mutual interest and to enter into agreements providing for arrangements with such producers as provided by Article VII hereof.

8. The appointment of an Honorary President, Chairman and Secretary, as well as statisticians, attorneys, accountants and such additional staff as may be necessary to carry on the work of the Council, subject, at all times, to the control of the Council. Any appointee of the Council may be removed at any time by the Council with or without cause. The powers and duties of its respective appointees shall be designated by the Council from time to time.

(j) The Honorary President shall be selected from the members of the Council for a term of one year, and shall preside at all meetings of the Council. In his absence, the meeting shall designate a temporary president.

(k) The Chairman need not be a member of the Council. He shall supervise and direct the activities of the Council in the intervals between the meetings of the Council, but at all times subject to the advice and control of the Council, and shall perform such other duties as are designated by the Council from time to time. The Secretary and other appointees of the Council shall perform such duties as the Council and/or Chairman may designate from time to time.

(l) The parties shall contribute to the expenses of the Council in the same proportion as the votes allotted to them respectively. The payments to be made each year shall be made in two semi-annual equal instalments on January 15th and July 15th of each year. One-half of the sum payable for the year 1931 shall be paid upon the execution of this Agreement, such payment to be made to the order of Nederlandsche Handel-Maatschappij, N.V., of The Hague, as Trustee, under the terms of this Agreement, to be paid and disbursed upon the written order of a majority of the members of a committee of three (to be known as the Finance Committee) who shall be appointed at the first meeting of the Council from the members of the Council; but the members of the Finance Committee may be removed and superseded at any time by the Council, who shall have the right to fill all vacancies in such Finance Committee. Such moneys shall be used to pay all expenses connected with the activities of the Council, and if on September 1st, 1935, any moneys remain after providing for all obligations, liabilities and expenses incurred by the Council, the same shall be refunded to the parties in proportion to their respective contributions.

(m) The members of the Council shall not be liable for any acts or agreements or contracts made by the appointees or employees of the Council. No member of the Council shall be responsible for any act or omission of any other member, nor for anything by him, except in bad faith.

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ARTICLE V.—INCREASES OF QUOTAS.

The purpose of this Agreement is to restore a normal price for sugar but not more than a normal price in the world market. To the end that the plan of segregation and reduced production set forth in this Agreement may not operate through creating higher than normal prices, to encourage further surplus sugar production, the following plan of increasing export quotas is provided for.

(a) The respective annual export quotas of each country shall be increased five per cent. (5%) in the event of the world price for raw sugar, basis 96 degrees of polarization, reaching, for the prescribed period, the equivalent of two cents (2 c.) United States currency per English pound, free on board Cuba, for prompt shipment as hereinafter defined.

(b) If the said world price reaches, for the prescribed period, two and one-quarter cents ($2\frac{1}{4}$ c.) United States currency, the International Sugar Council may, at its discretion (but without obligation), increase the export quotas by an additional two and one-half per cent. ($2\frac{1}{2}\%$). If, however, the said world price reaches two and one-half cents ($2\frac{1}{2}$ c.) United States currency for the prescribed period, the International Sugar Council shall increase the said quotas respectively by an amount which, with the increase (if any) made after the price reached two and one-quarter cents ($2\frac{1}{4}$ c.), shall equal five per cent. (5%) of the said quotas.

(c) For the purpose of this Agreement, the world price shall be understood to mean the quotation of the London Terminal Raw Sugar Market for sugar basis 96 degree polarization, cost, freight and insurance (c.i.f.) United Kingdom, calculated back to free on board (f.o.b.) Cuba by deducting the current rate of freight and insurance and converted to United States currency at the current rate of exchange. The respective prices referred to shall be considered to be reached whenever the average price over a period of thirty (30) consecutive market working days shall not be less than the equivalent named. The quotations to be taken shall be the average price of business done on the three daily calls, or failing business done, the average of buyers and sellers quotations. The month of delivery on which the quotations are to be based shall be the second month from the current months (for instance, during January the March quotation to be taken; during February the April quotation, and so on) from which basis the premium for carrying charges, to be computed at $1\frac{1}{2}$ d. per hundredweight (cwt.) shall be deducted.

(d) Notwithstanding the foregoing, if Java producers have sold consecutively quantities aggregating 400,000 metric tons at an average price of not less than twelve (12) guilders per 100 kilos for Java whites, first cost (free warehouse Java ports), before the

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said two cents world price calculated above has been reached for the prescribed period, as provided in paragraph (a), the International Sugar Council shall regard this as equivalent to the said price of two cents having been reached for the purpose of this Agreement, and shall release the said increase of five per cent. (5%) referred to in paragraph (a). Sales of Java low grades are to be adjusted to the basis of whites by adding to the sales price of low grades one (1) guilder per 100 kilos in the case of brown sugars and one and one-quarter ($1\frac{1}{4}$) guilders per 100 kilos in the case of muscovados.

Consecutive sales by Java producers of quantities aggregating 400,000 metric tons at an average price of not less than thirteen and a half guilders (f. 13.50) and fifteen guilders (f. 15), respectively, per 100 kilos for Java whites, first cost (free warehouse Java ports), will have the same effect as prices of $2\frac{1}{2}$ c. and $2\frac{1}{2}$ c. respectively under the terms of paragraph (b) and (g) of this Article V.

In case the Java producers in any calendar year sell sugar of the crop of the next calendar year, such sales shall, for the purposes of this paragraph (d), be considered as the first sales of the year when such crop is harvested.

(e) The International Sugar Council shall obtain, in such manner as it shall determine from time to time, daily information giving the London official prices, freight and insurance rates, and calculation of free on board Cuba equivalent, as well as information as to Java sales, the Java Corporation to furnish information as to sales made by its members and as far as possible by outsiders.

(f) Only one increase of five per cent. (5%) under paragraph (a) of this Article V, shall be permitted in each calendar year beginning with 1931; and the additional releases under paragraph (b) above, shall not exceed, in the aggregate, five per cent. (5%) in any calendar year. Sixty (60) calendar days will have to elapse between two periods of thirty (30) market working days in order to involve for each of them an automatic increase of the quotas of 5%, when such periods do not end within the same calendar year. This does not apply to the stipulations as to Java sales aggregating 400,000 metric tons provided for in paragraph (d).

(g) After and while the world price for raw sugar, as defined in the preceding paragraphs (a) and (c), remains at an average above two and one-half cents ($2\frac{1}{2}$ c.) for the prescribed period or longer, the International Sugar Council shall have power to determine whether and the conditions under which increases in the quotas additional to those above provided shall be released and the respective amounts thereof; any such decision to require fifty-five (55) votes in the Council.

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(h) The basis for the calculation of each increase of quotas for each country shall be its export quota for the twelve (12) months commencing with the date of the increase, the quota for each such month to be taken as one-twelfth (1/12) of the quota of such country fixed in Article I for the quota year in which such month falls; the percentage of each increase shall be the same for each country. Each increase in quotas under this Article only affects the quota for the period of twelve months aforesaid, and no subsequent period.

The International Sugar Council shall at the time of each increase fix the period within which said increase is to be exported, and when doing so shall be guided by the principle that sufficient time shall be allowed to every participant to market its increase and, if necessary, to produce the required sugar, taking into account the difference in time for the various participants between sowing or planting, and harvesting.

ARTICLE VI.

In case Germany in any year is unable to export its export quota, such deficiency up to the following respective quantities in each of the five years, i.e. :

The year beginning September 1st, 1930 .. 300,000 metric tons
The year beginning September 1st, 1931 .. 150,000 metric tons
The year beginning September 1st, 1932 .. 100,000 metric tons
The year beginning September 1st, 1933 .. 100,000 metric tons
The year beginning September 1st, 1934 .. 100,000 metric tons

shall be divided between Cuba, Czechoslovakia, Poland, Hungary and Belgium in the following respective proportions :

Cuba	575/750ths
Czechoslovakia	96/750ths
Poland	56/750ths
Hungary	17/750ths
Belgium	6/750ths

In the event that the countries last mentioned become entitled to export any deficiency in the quota of Germany under the foregoing provisions, the International Sugar Council shall fix the period within which such other countries shall be entitled to export said deficiency and, in doing so, shall be guided by the principles outlined in the last paragraph of Article V of this Agreement.

ARTICLE VII.—ADHERENCE OF THE SUGAR INDUSTRIES OF OTHER COUNTRIES

The parties have entered into this Agreement for the purpose of stabilizing their industry and curing the difficulties with which

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it has been faced. They expect other producing countries to co-operate and many of those countries have evidenced their desire to participate in the purposes of this Agreement. Therefore, the Council shall take steps to agree as soon as practicable with the sugar industries not represented by the parties to this Agreement, so that they may contribute their share to the task of bringing about a better balance between the supply and consumption of sugar in the world. Any such arrangement shall be covered by supplemental agreement and may contemplate or involve the admission as a party to this Agreement of the industry of any such other country either upon the terms set forth in this Agreement, or upon other terms to be approved by the Council, or any such supplemental Agreement may be a special one not involving the admission of such industry as a party to this Agreement; provided that any such arrangement shall require the unanimous vote of the Council. Any party so admitted to this Agreement shall, for all purposes, except as limited by said supplemental Agreement, be considered a party to this Agreement.

If, despite the sacrifices and efforts of the parties hereto as well as such other countries as may become parties to this Agreement, in the opinion of the International Sugar Council any measures should be taken by a producing country (not participating in this Agreement) to prevent restoration of normal and economic conditions in the world sugar market, the Council with the approval of members entitled to cast fifty-five (55) votes, shall take such action as they shall consider necessary for the protection of the interests of the parties to this Agreement.

ARTICLE VIII.—ARBITRATION

(a) The International Sugar Council shall, at its first meeting, elect a board of three arbitrators, and also a first, second and third alternate to act in the order of their election in case of the death, incapacity or failure to act of any member of the Board of Arbitration; such arbitrators to be elected by the unanimous vote of the Council.

If any member of the Board of Arbitration or any alternate should resign, die or become incapacitated, the Council shall, by unanimous vote, elect a successor, who shall take the place of such member of the Board or alternate.

The Council may, in its discretion, authorize the payment to the arbitrators and alternates of an annual retainer, and also additional compensation when actually engaged in an arbitration.

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(b) In case the party or parties representing the industry of any country should claim that the exports of sugar covered by this Agreement from any of the countries represented herein exceed the quota hereinbefore fixed for such country for the quota year in question, such party or parties shall notify the Chairman of the International Sugar Council in writing of such fact, and thereupon the Chairman shall notify the party or parties representing the country the exports from which were so claimed to have exceeded the quota, which notice shall be in writing and shall be given by registered mail to the members of the Council acting for such party or parties. The notice shall specify the quantity by which the exports are claimed to have exceeded the quota and the period when such export quota was exceeded.

(c) The party or parties so notified, within thirty days after receiving the notice, shall, by written notice to the Chairman, either deny or admit the claim that such quota was exceeded. In case such party or parties deny that the quota was exceeded, or fail to notify the Chairman with regard thereto, the Chairman shall submit to the Board of Arbitration hereinbefore provided the question whether or not for the year involved the exports from such country (for Cuba its exports to countries other than the United States of America) exceeded its quota for such year.

(d) The Board of Arbitration shall be entitled to make such investigation as it deems proper in order to determine the question to be decided and to obtain all necessary information from any party or parties to this Agreement with respect thereto. The Board of Arbitration shall give to the parties hereto full opportunity of being heard and presenting any facts in regard to the question.

As soon as practicable after the completion of the investigation and hearings of the Board of Arbitration, it shall submit its decision in writing to the Chairman of the International Sugar Council. The decision of two of the three arbitrators shall govern.

If the decision of the Board of Arbitration shall find that the exports of the country involved exceeded the quota in question, the decision shall also specify the extent by which such quota was exceeded.

(e) Upon receipt of such decision of the Board, or if the party or parties representing the country involved admitted that the exports in question from such country exceeded its quota, the Chairman shall call a special meeting of the Council for the purpose of considering the action to be taken by the Council with respect to such decision of the Board of Arbitration or such admission. Such action shall require the approval of three-fourths

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{) of all the votes allotted to the respective parties under Article IV, excluding the party or parties representing the country from which the excess of exports is claimed to have been made, which majority to be sufficient shall consist of the votes allotted to the parties acting for the industries of at least two-thirds of the countries represented in this Agreement, excluding the country from which such excess of exports is claimed to have been made.

If the Arbitration Board shall have decided that the export quota of the country involved was exceeded, the party or parties representing such country shall pay to the Council the cost of arbitration.

ARTICLE IX.

This agreement shall continue until September 1st, 1935.

Executed at Brussels, May 9th, 1931.

INSTITUTO CUBANO DE ESTABILIZACION DEL AZUCAR.

By CARLOS MANUEL DE CESPEDES.

VEREENIGING VAN JAVA SUIKER ONDERNEMERS TER QUOTEERING DER UITVOEREN BIJ INTERNATIONAAL CONTRACT (VISOCO).

By C. J. K. VAN AALST; E. BENNINK; A. A. PAUW;
A. W. HARTMAN; J. G. WIEBENGA; H. C. PRINSEN GEERLIGS.

WIRTSCHAFTLICHE VEREINIGUNG DER DEUTSCHEN ZUCKER-INDUSTRIE.

By FRITZ HARNEY; OTTO VON SCHLIEMEN.

USTREDNI SPOLEK CESKOSLOVENSKEHO PRUMYSLU CUKRO-VARNICKEHO.

By ROBERT MANDELIK; JOE HARTMANN; JOSEF VEPRIK;
F. ELBOGEN; FELIX REDLICH.

ZWIĄZEK ZACHODNIO-POLSKIEGO PRZEMYSŁU CUKROWNICZEGO
W. POZNANIU STOWARZYSZENIE WEISANE.

By JOSEPH ZYCHLINSKI; W. PSARSKI; T. DRZAZDZYŃSKI.

ZWIĄZEK ZAWODOWY CUKROWNI B. KRÓLESTWA POLSKIEGO,
WOLYNIA, MALOPOLSKI I ŚLĄSKA W. WARSZAWIE.

By KAROL SACHS.

MAGYAR CUKORGYAROSOK ORSZAGOS EGYESULETE.

By EDOUARD ACZEL; HUGO ELBOGEN; ALBERT HIRSCH.

THE THIRTY-FIVE MEMBERS OF THE UNION ECONOMIQUE
BELGO-LUXEMBOURGEOISE.

By LUCIEN BEAUDUIN; ERNEST OURY; LEOPOLD
KRONACHER; PAUL DESCAMPS; E. DUMONT DE CHASSART.

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PROTOCOL EXECUTED SIMULTANEOUSLY WITH THE DEFINITE AGREEMENT BETWEEN THE UNDERSIGNED PARTIES DATED MAY 9TH, 1931.

1. The undersigned parties to the Agreement dated May 9th, 1931, creating "The International Sugar Council," hereby state their understanding that if Czechoslovakia, Poland and/or Hungary fail to adopt or enact, within a period of sixty (60) days after the date of this Agreement, the legislation or governmental decree contemplated by said Agreement for the limitation of exports of sugar from their respective countries to the amount of the quotas set forth in said Agreement and in accordance with a system of export licenses or permits (subject to penalties for violation) and effective as to all persons within the boundaries of said countries respectively, then the parties to this Agreement representing the industries of the other countries represented therein shall have the right to take up and consider what action, if any, they shall take for the termination of the Agreement, for the provision of guarantees satisfactory to all such other parties, or otherwise. Notwithstanding the foregoing, with respect to Poland it is understood that the Polish Corporations will, within said sixty (60) day period, deliver to the Chairman of the Council a letter from the President of the Council of Ministers of Poland and/or the Minister of Finance stating that the necessary legislation, as above provided, has been approved by the Council of Ministers and has been drafted and filed with the Chairman of the Polish Parliament, and will be presented to the Parliament at its October, 1931, session.

2. It is further understood that if, during the period of the Agreement, the legislation or governmental decree adopted or enacted or to be adopted or enacted in the respective countries for the limitation of exports as contemplated by the Agreement, is repealed or altered so as to change the basis upon which said Agreement was made, then likewise the other parties to this Agreement shall have the right to take up and consider what action, if any, they shall take for the termination of the Agreement, for the provision of guarantees satisfactory to all such other parties, or otherwise.

3. The wording of paragraph (d) of Article V of the Agreement is based on the present rules and selling methods of the V.I.S.P. If the same are altered to such an extent that the intention forming the basis underlying said paragraph is no longer covered by such wording, the parties shall alter said wording in order to adjust it to the original meaning.

4. No financial obligation shall be imposed upon any of the parties hereto in connection with the provisions of the second paragraph of Article VII of the definite contract without the vote of the member of the Council entitled to cast the votes allotted to such party, (either individually or jointly with other parties representing the industry of the same country).

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5. The expenses of the Council shall not exceed the sum of One hundred and fifty thousand dollars (\$150,000) per annum, without the unanimous vote of the International Sugar Council.

Dated, May 9th, 1931, at Brussels.

ADDITIONAL PROTOCOL EXECUTED SIMULTANEOUSLY WITH THE DEFINITE AGREEMENT BETWEEN THE UNDERSIGNED PARTIES DATED MAY 9TH, 1931.

As to the question of the import and export of white and raw sugar from one of the European contracting countries represented in this Agreement to any of the other of said European countries for consumption in the country to which shipped, it is in principle agreed that the contracting parties representing the industries of said countries bind themselves reciprocally to prevent such operations; but it is understood that if sugar, which has been delivered on basis of terminal contracts, enters into one of said European countries, the country having sold this sugar, cannot be rendered responsible for it. The International Sugar Council will occupy itself with the settlement of the whole question. Inasmuch as there exist such running contracts, each party representing a European country engages itself to make them known to the countries interested therein.

Dated, May 9th, 1931, at Brussels.

RESOLUTIONS OF THE INTERNATIONAL SUGAR COUNCIL, DECEMBER 2ND, 1932.

The following *Resolution, taken by the International Sugar Council at its Sixth Regular Meeting on 2nd December, 1932*, contains certain new arrangements regarding the export quotas fixed in the Agreement of 9th May, 1931 :—

1. Germany agrees not to export more than 200,000 metric tons from 1st September, 1932, to 31st August, 1933, instead of the 300,000 metric tons to which she is entitled under Article I(c) of the Agreement of 9th May, 1931.

2. Cuba and the European countries parties to the Agreement excluding Germany, renounce their share in the German deficits as they existed or will exist as on 1st September, 1932, and 1st September, 1933, respectively, the first of which amounts to 150,000 metric tons and the second of which (see Clause 1 above) will amount to 100,000 metric tons.

3. For 1932 Cuba obtains a total quota of 985,000 long tons instead of her quota of 805,000 long tons plus about 65,000 long tons as her share in the German deficit as on 1st September, 1931.

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4. For 1933 Cuba obtains instead of her quota of 855,000 long tons a quota of 1,000,000 long tons; such part of this increase as results from renunciations on the part of the European countries to be taken into account in connection with the guarantee given in March, 1932, by the European countries and Peru to Cuba as regards the exports of Java during the year ending 31st March, 1933.

5. The prices of 2c., 2½c. and 2¾c. respectively mentioned in Article V(a), (b), (d) and (g) of the Agreement are each decreased by ¼c. and therefore become 1½c., 2c. and 2½c. and those of 12 guilders, 13¼ guilders and 15 guilders mentioned in Article V(d), are each decreased by 1½ guilders and therefore become 10¾ guilders, 12 guilders and 13¾ guilders respectively.

6. (a) Java cedes to Cuba the 5 per cent. increase of Java's quota to which Java might become entitled under article V (a) taken in conjunction with the first part of Article V (d) of the Agreement in the course of each of the calendar years 1934 and 1935. Java therefore retains her right to the increase of her quota to which she may become entitled under Article V (b) in conjunction with the second part of Article V (d) of the Agreement.

(b) Peru cedes to Cuba the 5 per cent. increase of Peru's quota to which Peru might become entitled under Article V (a) taken in conjunction with the first part of Article V (d) of the Agreement in the course of the calendar year 1934. Peru therefore retains her right to the increase of her quota to which she might become entitled under Article V (b) in conjunction with the second part of Article V (d) of the Agreement.

7. Subject to the conditions set out in Clause 8 below, Germany cedes to Cuba 76,666 metric tons out of the quota of 300,000 metric tons to which she is entitled for the year beginning 1st September, 1933, and 76,666 metric tons out of the quota of 300,000 metric tons to which she is entitled for the year beginning 1st September, 1934, under Article I(c) of the Agreement; Cuba is entitled to produce and export these quantities to countries other than the United States during the calendar year 1934 and 1935 respectively.

8. Germany has the right to declare not later than 1st October, 1933, as regards the cession made for the year 1934 and 1st October, 1934, as regards the cession made for the year 1935 that, on account of her estimated crop and her estimated consumption, she considers it necessary to export herself the above mentioned 76,666 metric tons assigned to Cuba or a part thereof. In such case, Cuba will automatically lose her right to the said 76,666 metric tons or such part thereof as Germany has declared she will export herself.

Notification of Germany's declaration shall be made by her direct by cable to the Cuban Sugar Stabilization Institute and simultaneously by telegram to the Office of the Council, and the latter shall forthwith transmit the declaration by registered letter to the President of each Delegation.

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9. Should Germany use her right under the preceding Clause 8, then an amount of 76,666 metric tons or such part thereof as has been reclaimed by Germany will be ceded automatically to Cuba before October 31st, 1933, for the year 1934 and before October 31st, 1934, for the year 1935 by Czechoslovakia, Poland, Germany, Hungary, Belgium and Jugoslavia out of their joint quotas for the quota year then current, provided that none of the other parties to the Agreement declares in writing in a notification to be received by the Office of the Council on or before 30th October, 1933, in respect of the year 1934 and on or before 30th October, 1934, in respect of the year 1935 that it is opposed to such cession.

The Office, upon receipt of such notification shall forthwith inform the Cuban Sugar Stabilization Institute by cable and the President of each Delegation by registered letter accordingly.

The contributions of the above-mentioned countries to the 76,666 metric tons or any part thereof ceded to Cuba under this Clause will be made in proportion to their export quotas for the corresponding year under the Agreement.

10. In the event of Cuba receiving 76,666 metric tons or any part thereof in any of the cases provided for in Clauses 7, 8 and 9 above, Cuba will :

- (a) Renounce her rights under Article VI of the Agreement to a share of the German deficit which may exist on the following 1st September, or to an amount equal to the part of the 76,666 metric tons which she receives.
- (b) Transfer to the country or countries from which she receives the said amount or part thereof the 5 per cent. increase of the quotas of Java and Peru provided for in Clause 6 (a) and (b) above or a part of those increases proportionate to the part of the 76,666 metric tons received by her.

Any part of the amount transferred by Cuba under Clause 10 (b) above which falls to be distributed between these six European countries concerned ; to be divided among them in proportion to their export quotas in the corresponding quota year.

11. In the event of Cuba not receiving any part of the 76,666 metric tons as provided under Clauses 7, 8 and 9 above, she shall retain her right under Article VI of the Agreement to her share in the German deficit which may exist on the following 1st September, as well as to the increase of the 5 per cent. of the quotas of Java and Peru as set out in Clauses 6 (a) and (b) above.

The above arrangements are contingent on the Cuban 1933 crop not exceeding 2,000,000 Spanish tons as fixed by the decree of the President of Cuba of 2nd November, 1932.

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ADHERENCE OF PERU AND YUGOSLAVIA TO THE
BRUSSELS AGREEMENT OF MAY 9TH, 1931.

Peru adhered to the Brussels Agreement of May 9th, 1931,
on 4th October, 1931, with the following export quotas :—

1931	360,000 long tons tel quel
1932 to 1935	373,750 long tons tel quel per annum.

Yugoslavia adhered on the 8th July, 1932, with an annual
export quota of 15,000 metric tons.



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The Brussels Convention of March 5th, 1902.

His Majesty the King of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, Emperor of India; His Majesty the German Emperor, King of Prussia, in the name of the German Empire; His Majesty the Emperor of Austria, King of Bohemia, &c., &c., and Apostolic King of Hungary; His Majesty the King of the Belgians; His Majesty the King of Spain, and, in his name, Her Majesty the Queen-Regent of the Kingdom; the President of the French Republic; His Majesty the King of Italy; Her Majesty the Queen of the Netherlands; His Majesty the King of Sweden and Norway;

Desiring, on the one hand, to equalize the conditions of the competition between beet and cane sugar from various countries, and, on the other hand, to promote the consumption of sugar;

And considering that this twofold result cannot be attained otherwise than by the abolition of bounties and by the limitation of the surtax.

Have resolved to conclude a Convention to this effect, and have appointed as their Plenipotentiaries, that is to say

Who, having exchanged their full powers, found to be in good and due form, have agreed on the following Articles:—

ARTICLE I.—The High Contracting Parties engage to suppress, from the date of the coming into force of the present Convention, the direct and indirect bounties by which the production or exportation of sugar may profit, and not to establish bounties of such a kind during the whole continuance of the said Convention. For the application of this provision, sugar-sweetened products, such as preserves, chocolates, biscuits, condensed milk, and all other analogous products containing, in a notable proportion, artificially incorporated sugar, are assimilated to sugar.

The preceding paragraph applies to all advantages derived directly or indirectly, by the several categories of producers, from State fiscal legislation, and in particular to—

- (a) Direct bonuses granted on exportation;
- (b) Direct bonuses granted to production;
- (c) Total or partial exemptions from taxation which profit a part of the products of manufacture;
- (d) Profits derived from excess of yield;
- (e) Profits derived from too high a drawback;
- (f) Advantages derived from any surtax in excess of the rate fixed by Article III.

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ARTICLE II.—The High Contracting Parties engage to place in bond, under the continuous supervision, both by day and by night, of Revenue officers, sugar factories and sugar refineries, as well as factories for the extraction of sugar from molasses.

For this purpose, the factories shall be so arranged as to afford every guarantee against the surreptitious removal of sugar, and the officers shall have the right of entry into all parts of the factories.

Check registers shall be kept respecting one or more of the processes of manufacture, and finished sugar shall be placed in special warehouses affording every requisite guarantee of security.

ARTICLE III.—The High Contracting Parties engage to limit the surtax—that is to say, the difference between the rate of duty or taxation to which foreign sugar is liable and the rate of duty or taxation to which home-produced sugar is subject—to a maximum of 6 fr. per 100 kilog. on refined sugar and on sugar which may be classed as refined, and to 5 fr. 50 c. on other sugar.

This provision is not intended to apply to the rate of import duty in countries which produce no sugar; neither is it applicable to the by-products of sugar manufacture and of sugar refining.

ARTICLE IV.—The High Contracting Parties engage to impose a special duty on the importation into their territories of sugar from those countries which may grant bounties either on production or on exportation.

This duty shall not be less than the amount of the bounties, direct or indirect, granted in the country of origin. The High Contracting Parties reserve to themselves, each so far as concerns itself, the right to prohibit the importation of bounty-fed sugar.

In order to calculate the amount of the advantages eventually derived from the surtax specified under letter (*f*) of Article I, the figure fixed by Article III is deducted from the amount of this surtax; half of this difference is considered to represent the bounty, the Permanent Commission instituted by Article VII having the right, at the request of a Contracting State, to revise the figure thus obtained.

ARTICLE V.—The High Contracting Parties engage reciprocally to admit at the lowest rates of their tariffs of import duties sugar the produce either of the Contracting States or of those Colonies or possessions of the said States which do not grant bounties, and to which the obligations of Article VIII are applicable.

Cane sugar and beet sugar may not be subjected to different duties.

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ARTICLE VI.—Spain, Italy, and Sweden shall be exempted from the engagements which form the subject of Articles I, II, and III, so long as they do not export sugar.

Those States engage to adapt their sugar legislation to the provisions of the Convention within one year—or earlier if possible—from the time at which the Permanent Commission shall have found that the above-mentioned condition has ceased to exist.

ARTICLE VII.—The High Contracting Parties agree to establish a Permanent Commission charged with supervising the execution of the provisions of the present Convention.

This Commission shall be composed of Delegates of the several Contracting States, and a Permanent Bureau shall be attached to it. The Commission elects its President; it will sit at Brussels and will assemble at the summons of the President.

The duties of the Delegates will be :—

(a) To pronounce whether in the Contracting States no direct or indirect bounty is granted on the production or on the exportation of sugar.

(b) To pronounce whether the States referred to in Article VI continue to fulfil the special condition foreseen by that Article.

(c) To pronounce whether bounties exist in the non-signatory States, and to estimate the amount thereof for the purposes of Article IV.

(d) To deliver an opinion on contested questions.

(e) To prepare for consideration requests for admission to the Union made by States which have not taken part in the present Convention.

It will be the duty of the permanent Bureau to collect, translate, arrange, and publish information of all kinds respecting legislation, on, and statistics of, sugar, not only in the Contracting States, but in other States as well.

In order to insure the execution of the preceding provisions, the High Contracting Parties shall communicate, through the diplomatic channel, to the Belgian Government, which shall forward them to the Commission, the Laws, Orders, and Regulations on the taxation of sugar which are or may in the future be in force in their respective countries, as well as statistical information relative to the object of the present Convention.

Each of the High Contracting Parties may be represented on the Commission by a Delegate, or by a Delegate and Assistant Delegates.

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Austria and Hungary shall be considered as separate Contracting Parties.

The first meeting of the Commission shall be held in Brussels, under arrangements to be made by the Belgian Government, at least three months before the coming into force of the present Convention.

The duty of the Commission shall be limited to findings and investigations. It shall draw up a report on all questions submitted to it, and forward the same to the Belgian Government, which shall communicate it to the States interested, and, at the request of one of the High Contracting Parties, shall convoke a Conference, which shall take such decisions or measures as circumstances demand.

The findings and calculations referred to under letters (b) and (c) must, however, be acted on by the Contracting States; they will be passed by a vote of the majority—each Contracting State having one vote—and they will take effect in two months' time at the latest. Should one of the Contracting States consider it necessary to appeal against a decision of the Commission, the said State must, within eight days of notification to it of the said decision, require a fresh discussion by the Commission; the Commission will immediately hold a meeting, and will pronounce its final decision within one month of the date of the appeal. The new decision shall take effect, at latest, within two months of its delivery. The same procedure will be followed with regard to the preparation for consideration of demands for admission provided for under letter (e).

The expenses incurred on account of the organization and working of the Permanent Bureau and of the Commission—excepting the salaries or allowances of the Delegates, who shall be paid by their respective countries—shall be borne by all the Contracting States, and shall be divided among them in a manner to be determined by the Commission.

ARTICLE VIII.—The High Contracting Parties engage, for themselves and for their Colonies or possessions, exception being made in the case of the self-governing Colonies of Great Britain and the British East Indies, to take the necessary measures to prevent bounty-fed sugar which has passed in transit through the territory of a Contracting State from enjoying the benefits of the Convention in the market to which it is being sent. The Permanent Commission shall make the necessary proposals with regard to this matter.

ARTICLE IX.—States which have not taken part in the present Convention shall be admitted to adhere to it at their request, and after concurrence has been expressed by the Permanent Commission.

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The request shall be addressed through the diplomatic channel to the Belgian Government, which shall undertake, when occasion arises, to notify the adhesion to all the other Governments. The adhesion shall entail, as of right, acceptance of all the obligations and admission to all the advantages stipulated by the present Convention, and will take effect as from the 1st September following the dispatch of the notification by the Belgian Government to the other Contracting States.

ARTICLE X.—The present Convention shall come into force from the 1st September, 1903.

It shall remain in force for five years from that date, and in the case of none of the High Contracting Parties having notified to the Belgian Government, twelve months before the expiration of the said period of five years, its intention of terminating the effects thereof, it shall continue to remain in force for one year, and so on from year to year.

In the event of one of the Contracting States denouncing the Convention, such denunciation shall have effect only in respect to such State; the other States shall retain, until the 31st October of the year in which the denunciation takes place, the right of notifying their intention of withdrawing as from the 1st September of the following year. If one of these latter States desired to exercise this right, the Belgian Government shall summon a Conference at Brussels within three months to consider the measures to be taken.

ARTICLE XI.—The provisions of the present Convention shall apply to the overseas Provinces, Colonies, and foreign possessions of the High Contracting Parties. The British and Netherland Colonies and possessions are excepted, save as regards the provisions forming the object of Articles V and VIII.

The position of the British and Netherland Colonies and possessions is, furthermore, regulated by the Declarations inserted in the Final Protocol.

ARTICLE XII.—The fulfilment of the mutual engagements contained in the present Convention is subject, as far as necessary, to the completion of the formalities and requirements established by the Constitutional laws of each of the Contracting States.

The present Convention shall be ratified, and the ratifications shall be deposited at the Ministry for Foreign Affairs at Brussels, on the 1st February, 1903, or earlier if possible.

It is understood that the present Convention shall become binding, as of right, only if it is ratified by those at least of the Contracting States who are not the subject of the exceptional provision of Article VI. Should one or more of the said States

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not have deposited their ratifications within the period stipulated, the Belgian Government shall immediately take steps to obtain a decision by the other Signatory Powers as to whether the present Convention shall come into force among them alone.

In faith whereof the respective Plenipotentiaries have signed the present Convention.

Done at Brussels, in single copy, March 5th, 1902.

- For Great Britain :
(Signed) CONSTANTINE PHIPPS.
H. W. PRIMROSE.
H. G. BERGNE.
ARTHUR A. PEARSON.
E. C. OZANNE.
- For Germany :
(Signed) GRAF VON WALLWITZ.
VON KOERNER.
KUHN.
- For Austria-Hungary :
(Signed) COMTE DE KHEVENHULLER.
- For Austria :
(Signed) JORKASCH-KOCH.
- For Hungary :
(Signed) TOEPKE ALFRED.
- For Belgium :
(Signed) COMTE DE SMET DE NAEYER.
CAPELLE.
KEBERS.
D. DE SMET.
BEAUDUIN.
- For Spain :
(Signed) W. R. DE VILLA URRUTIA.
- For France :
(Signed) A. GERARD.
BOUSQUET.
A. DELATOUR.
COURTIN.
- For Italy :
(Signed) R. CANTAGALLI.
EMILIO MARAINI.
- For the Netherlands :
(Signed) R. D. PESTEL.
J. D'AULNIS DE BOUROUILL.
G. ESCHAUZIER.
A. VAN ROSSUM.
- For Sweden :
(Signed) COMTE WRANGEL.
C. TRANCHELL.

APPENDIX II

Final Protocol.

On proceeding to the signature of the Sugar Convention concluded this day between the Governments of Germany, of Austria and of Hungary, of Belgium, of Spain, of France, of Great Britain, of Italy, of the Netherlands, and of Sweden, the undersigned Plenipotentiaries have agreed as follows :—

As regards Article III.—Considering that the object of the surtax is the effectual protection of the home markets of the producing countries, the High Contracting Parties reserve to themselves the right, each as concerns itself, to propose an increase of the surtax, should considerable quantities of sugar produced by one of the Contracting States enter their territories ; this increase would only apply to sugar produced by that State.

The proposal must be addressed to the Permanent Commission, which will decide, at an early date, by a vote of the majority, whether there is good ground for the proposed measure, as to the period for which it shall be enforced, and as to the rate of the increase ; the latter shall not exceed 1 fr. per 100 kilog.

The assent of the Commission shall only be given when the invasion of the market concerned is the consequence of real economic inferiority, and not the result of a factitious increase in price brought about by an agreement among producers.

As regards Article XI.—(A) 1. The Government of Great Britain declares that no bounty, direct or indirect, shall be granted to the sugar of the Crown Colonies during the continuance of the Convention.

2. It also declares, as an exceptional measure, and reserving in principle entire liberty of action as regards the fiscal relations between the United Kingdom and its Colonies and possessions, that, during the continuance of the Convention, no preference will be granted in the United Kingdom to Colonial sugar as against sugar from the Contracting States.

3. Lastly, it declares that the Convention will be submitted by it to the self-governing Colonies and to the East Indies, so that they may have an opportunity of giving their adhesion to it,

It is understood that the Government of His Britannic Majesty has power to adhere to the Convention on behalf of the Crown Colonies.

(B) The Government of the Netherlands declares that during the continuance of the Convention no bounty, direct or indirect, shall be granted to sugar from the Netherland Colonies, and that such sugar shall not be admitted into the Netherlands at a lower Tariff than that applied to sugar from the Contracting States.

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The present Final Protocol, which shall be ratified at the same time as the Convention concluded this day, shall be regarded as forming an integral part of the Convention, and shall have the same force, value, and duration.

In faith whereof the undersigned Plenipotentiaries have drawn up the present Protocol.

Done at Brussels, the 5th March, 1902.
(Signatures as above).

Proces-verbal of Deposit of Ratifications.

The Contracting Parties having unanimously agreed that the exchange of ratifications respecting the Sugar Convention signed at Brussels on the 5th March, 1902, should be effected by means of the deposit of the respective instruments in the archives of the Ministry of Foreign Affairs of Belgium, the present record of deposit has, with this object, been opened in the Ministry for Foreign Affairs to-day, the 18th June, 1902.

(Signed) P. DE FAVEREAU. This day has been effected the deposit of ratifications of His Majesty the King of the Belgians.

The following have been successively deposited :

(Signed) BULOW. The 15th January, 1903, the ratifications of His Majesty the German Emperor, King of Prussia.

(Signed) A. GERARD. The 29th January, 1903, the ratifications of the President of the French Republic.

(Signed) E. DE PESTEL. The 30th January, 1903, the ratifications of Her Majesty the Queen of the Netherlands.

(Signed) CONSTANTINE PHIPPS. The 31st January, 1903, the ratifications of His Majesty the King of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, Emperor of India, according to the conditions laid down in the note annexed.

(Signed) T. B. KOZIEBRODZKI. The 31st January, 1903, the ratifications of His Majesty the Emperor of Austria, King of Bohemia, &c., &c., and Apostolic King of Hungary.

(Signed) R. CANTAGALLI. The 1st February, 1903, the ratifications of His Majesty the King of Italy.

APPENDIX II

In accordance with Article XII of the Convention of the 5th March, 1902, the present record has been closed on to-day's date.

The Minister for Foreign Affairs
for Belgium,

(Signed) P. DE FAVEREAU.

Brussels, February 1st, 1903.

In depositing the ratifications of His Britannic Majesty, his Excellency the Minister of Great Britain declares that it is necessary to place on record that the Government of His Britannic Majesty will not consent under any circumstances to be bound to penalize bounty-fed sugar imported into the United Kingdom from any of the self-governing British Colonies.

He further declares that His Britannic Majesty's Government are not prepared to accept any reference of this question to the Permanent Commission to be established under Article VII, and that His Majesty's ratification of the Convention is deposited under the explicit declaration above mentioned.

The Secretary-General of the
Ministry of Foreign Affairs of Belgium,
(Signed) F. A. LAMBERMONT.

Brussels, January 31st, 1903.

ADDITIONAL ACT TO THE SUGAR CONVENTION OF MARCH 5th, 1902. 28th AUGUST, 1907.

The Governments of Great Britain, Germany, Austria and Hungary, Belgium, France, Italy, the Grand-Duchy of Luxembourg, the Netherlands, Peru, Sweden, and Switzerland having resolved to conclude an Additional Act to the Convention of the 5th March, 1902, relative to Sugar Regulations, the Undersigned, duly authorized for this purpose, have agreed upon the following :—

ARTICLE 1.—The Contracting States undertake to maintain the Convention of the 5th March, 1902, in force for a fresh period of five years, commencing on the 1st September, 1908.

It shall, however, be possible for any one of the Contracting States to withdraw from the Convention after the 1st September, 1911, provided one year's notice has been given, if the Permanent Commission, at the last meeting held before the 1st September, 1910, have decided by a majority of votes that circumstances warrant such power being granted to the Contracting States.

For the rest, the provisions of Article X of the above-mentioned Convention of the 5th March, 1902, concerning the denunciation and continued operation of the Convention shall still be applicable.

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ARTICLE 2.—Notwithstanding Article I, Great Britain shall be relieved, after the 1st September, 1908, from the obligation contained in Article IV of the Convention.

After the same date the Contracting States may demand that, in order to enjoy the benefit of the Convention, sugar refined in the United Kingdom and thence exported to their territories shall be accompanied by a certificate stating that none of this sugar comes from a country recognized by the Permanent Commission as granting bounties for the production or exportation of sugar.

ARTICLE 3.—The present Additional Act shall be ratified, and the ratifications thereof shall be deposited at Brussels, at the Ministry for Foreign Affairs, as soon as possible, and in any case before the 1st February, 1908.

It shall only become legally binding if it is ratified at least by all the Contracting States which are not affected by the special provisions contained in Article VI of the Convention. In the event of one or more of the said States not having deposited their ratifications by the proper time, the Belgian Government shall, in the course of the month which follows the 1st February, 1908, call upon the States which have already ratified to give a decision as regards the putting into force among themselves alone of the present Additional Act.

The States which have not ratified before the 1st February, 1908, shall be considered as having denounced the Convention in time for it to cease to have effect as far as they are concerned after the 1st of the following September, unless a contrary decision shall have been come to, at the request of the Parties interested, by a majority of the States called upon to deliberate, as arranged for in the preceding paragraph.

In faith whereof the respective Plenipotentiaries have signed the present Additional Act.

Done at Brussels, the 28th August, 1907, in a single signed copy, of which a certified copy shall be given to each of the Signatory Governments.

(Signatures for Great Britain, Germany, Austria-Hungary, Austria, Hungary, Belgium, France, Italy, Luxembourg, Netherlands, Peru, Sweden, Switzerland).

Protocol of Signature.

On proceeding to the signature of the Additional Act of the Convention respecting Sugar Relations, concluded this day between the Governments of Great Britain, Germany, Austria and Hungary, Belgium, France, Italy, the Grand-Duchy of Luxembourg, the Netherlands, Peru, Sweden, and Switzerland, the Undersigned, duly authorized for this purpose, have agreed upon the following :—

APPENDIX II

SOLE ARTICLE.—It is understood that if the ratifications which are necessary before the above-mentioned Additional Act can be made valid, in accordance with Article 3, have not been obtained by the 1st March, 1908, His Britannic Majesty's Government shall be able to denounce the Convention on that date as from the 1st September, 1908, without entering into the question whether they have previously ratified the aforesaid Additional Act or not.

The present Protocol of Signature, which shall be ratified at the same time as the Additional Act concluded under this day's date, shall be of equal force and validity.

In faith whereof the Undersigned have drawn up the present Protocol.

Done at Brussels, the 28th August, 1907, in a single signed copy, of which a certified copy shall be given to each of the Signatory Governments.

(Signatures as above).

Declaration.

For the purpose of preventing any doubts which might arise in regard to the possible application of paragraph 3 of Article 3 of the Additional Act of the Sugar Convention, concluded to-day, the Undersigned, duly authorized for this purpose, declare that they denounce conditionally, as far as may be necessary, the Convention of the 5th March, 1902, in the event of their respective Governments not having ratified in time the above-mentioned Additional Act.

Done at Brussels, the 28th August, 1907, in a single signed copy, of which a certified copy shall be given to each of the Signatory Governments.

(Signatures as above).

On proceeding to the signature of the present Declaration, the Swedish Plenipotentiary declares, in the name of his Government, that in spite of the great hesitation to which the provision, according to which the ratification must be deposited at latest on the 1st February, 1908, has given rise on the part of Sweden—in view of the fact that the Diet does not meet before the 15th January—the Swedish Government have nevertheless authorized him to sign the above Arrangements, with the conviction that, in the event of the approval of the Diet not being given at the proper time before the 1st February, a request for the extension of the time allowed for the deposit of ratification would be favourably received by the other Governments.

Brussels, August 28, 1907.

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PROTOCOL RESPECTING THE ACCESSION OF RUSSIA.
19th DECEMBER, 1907.

Protocol.

The Imperial Russian Government having expressed their desire to accede to the Convention of the 5th March, 1902, relative to Sugar Regulations, as well as to the Additional Act to the said Convention signed on the 28th August, 1907, and the States at present Parties to the Sugar Union having recognized that this accession cannot, on account of the special conditions of the sugar industry in Russia, be subordinated to the general conditions of the Convention, it has been agreed as follows between the Government of Russia on the one hand and the Governments of Great Britain, Germany, Austria and Hungary, Belgium, France, Italy, the Grand-Duchy of Luxembourg, the Netherlands, Peru, Sweden, and Switzerland on the other hand :—

ARTICLE 1.—Russia adheres to the Convention of the 5th March, 1902, respecting Sugar Regulations, as amended by the Additional Act of the 28th August, 1907, with all the advantages and all the obligations which it entails, with the reservations and subject to the conditions referred to in the following Articles.

ARTICLE 2.—Russia shall retain her present fiscal and customs legislation as regards sugar, and shall not increase the advantages which might result, in favour of the producers, from the maximum sale price fixed for the internal market.

ARTICLE 3.—In consideration of the special arrangements which are allowed to Russia by the preceding Article, she undertakes not to authorize the exportation, with return of or exemption from excise, of quantities of sugar exceeding the maximum figure of 1,000,000 tons for a period of six years, beginning on the 1st September, 1907.

This contingent will be divided among the different sugar seasons according to the requirements of trade, but in such a way that the quantity allotted to each season shall not exceed the following figures :—

	Tons.
Double season from Sept. 1, 1907, to August 31, 1909	300,000
Season from September 1, 1909, to August 31, 1910	200,000
" " 1910, "	1911 200,000
" " 1911, "	1912 200,000
" " 1912, "	1913 200,000

The engagements mentioned in this Article do not apply to exports—

1. To Finland ;
2. To Persia (for exports via the Caspian Sea and the land frontier, and not for those via the Persian Gulf) ; and
3. To the other Asiatic countries adjoining Russia (for exports via the land frontier only), with the exception of Turkey in Asia.

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ARTICLE 4.—The accession of Russia shall come into force from the 1st September, 1908.

During the Session preceding the 1st September, 1912, the Permanent Commission shall decide by a unanimous vote as to the treatment to be accorded to Russia should she be disposed to continue to be a party to the Convention beyond the limit of the 1st September, 1913.

In the event of the Commission not being unanimous, Russia shall be considered as having denounced the Convention, such denunciation to take effect from the 1st September, 1913.

ARTICLE 5.—The present Protocol shall be ratified and the ratifications thereof shall be deposited at Brussels, at the Ministry for Foreign Affairs, as soon as possible, and in any case before the 1st February, 1908.

Done at Brussels, the 19th December, 1907, in a single signed copy, a certified copy of which shall be delivered to each of the Signatory Governments.

(Signatures for countries which signed the Additional Act of 28 August, 1907, and for Russia).

On signing the Protocol of the 19th December, 1907, the Plenipotentiaries of the Contracting States have been informed of the communications given below, which were addressed to the Belgian Ministry for Foreign Affairs by the British, Italian, and Netherland Legations at Brussels :—

M. le Ministre,

Brussels, December 18, 1907.

I have the honour to inform your Excellency, with reference to your note of the 16th instant, that I am authorized to sign the Protocol drawn up by the Sugar Commission in regard to the admission of Russia to the Sugar Convention, subject to the following declaration, which I am instructed to make at the time of signing :—

“The assent of His Majesty’s Government to the present Protocol is limited to the provisions enabling Russia to adhere to the Convention, and does not imply assent to the stipulation tending to restrict the importation of Russian sugar.”

I should feel obliged if your Excellency would kindly cause this declaration to be recorded in the *proces-verbal* of the signature of the Protocol, so that note may be taken of it by the Representatives of the Signatory Powers.

I avail, &c., ARTHUR H. HARDINGE
(His Majesty’s Britannic Minister).

THE WORLD SUGAR PROBLEM

PROTOCOL CONCERNING THE PROLONGATION OF THE INTERNATIONAL UNION CONSTITUTED BY THE SUGAR CONVENTION OF MARCH 5TH, 1902.

The German, Austro-Hungarian, Belgian, French, Luxembourg, Netherlands, Peruvian, Russian, Swedish, and Swiss Governments, having decided to maintain in force after the 31st August, 1913, the International Union constituted by the Sugar Convention of the 5th March, 1902, the undersigned, duly authorized to this effect, have agreed as follows :—

ARTICLE 1.—The contracting States undertake to prolong for a further term of five years, as from the 1st September, 1913, the Sugar Convention of the 5th March, 1902, as amended and completed by the protocol of the 26th June, 1906, relative to the accession of Switzerland, by the Additional Act to the said convention of the 28th August, 1907, and by the protocol of the 19th December, 1907, relative to the adhesion of Russia, subject to the condition that Switzerland shall be granted the right to vote, which she did not obtain under the protocol of the 26th June, 1906, and also subject to the provisions contained in Article 2 below.

The said States undertake, in consequence, not to exercise the right granted to them by Article 10 of the convention of the 5th March, 1902, in regard to the denunciation of that diplomatic instrument.

ARTICLE 2.—The amount of export of 200,000 tons granted to Russia by Article 3 of the protocol of the 19th December, 1907, for each of the four annual periods between the 1st September, 1909, and the 31st August, 1913, shall be maintained for each of the five periods between the 1st September, 1913, and the 31st August, 1918.

Taking into consideration the fact that, owing to exceptional circumstances, a shortage of sugar and a considerable rise in price on the world's sugar market occurred simultaneously in 1911-12, the contracting States agree to Russia exporting an extra amount, to be divided as follows :—

	Tons.
Year 1911-12	150,000
Year 1912-13	50,000
Year 1913-14	50,000

ARTICLE 3.—The present protocol shall be ratified and the ratifications deposited at Brussels, at the Ministry of Foreign Affairs, as early as possible, and, in any case, before the 1st April, 1912.

It shall come into force on that date if it has been ratified at least by the following sugar-exporting European States : Germany, Austria-Hungary, Belgium, France, the Netherlands, Russia.

APPENDIX

In this event the other States which have signed the present protocol, but which have not ratified it by the date mentioned, shall be able, nevertheless, by ratifying it before the 1st September of the same year, to continue to form part of the International Union on the conditions allowed to them at present and for the whole duration of the present protocol, provided that they have, before the 1st April, 1912, given their definite consent to the granting to Russia of the extra amount of export provided for in Article 2 of the present protocol. They shall not in any case be able to take advantage of the clause respecting tacit renewal contained in Article 10 of the convention of the 5th March, 1902, to continue their membership of the Union from year to year.

ARTICLE 4.—In the last session held before the 1st September, 1917, the Permanent Commission shall decide by a unanimous vote as to the régime to be assigned to Russia in the case of her being disposed to continue her participation in the convention after the period ending the 1st September, 1918.

In the event of the commission being unable to agree, Russia will be considered as having denounced the convention as from the 1st September, 1918.

ARTICLE 5.—Each of the contracting States shall be at liberty to withdraw from the Union on or after the 1st September, 1918, upon giving one year's notice; after that the provision of Article 10 of the convention of the 5th March, 1902, respecting denunciation and tacit renewal shall again become applicable.

In witness whereof the undersigned plenipotentiaries of the respective States have signed the present protocol.

Done at Brussels, the 17th March, 1912, in a single original, a certified copy of which will be furnished to each of the signatory Governments.

(Signatures for Germany, Austria-Hungary, Austria, Hungary, Belgium, France, Luxembourg, Netherlands, Peru, Russia, Sweden, Switzerland).

DECLARATIONS RELATIVE TO THE EXTRA AMOUNT OF EXPORT ALLOWED TO RUSSIA UNDER ARTICLE 2 OF THE PROTOCOL OF MARCH 17TH, 1912, RESPECTING THE PROLONGATION OF THE INTERNATIONAL SUGAR UNION.

First Declaration.

The undersigned make the following declaration on signing the protocol respecting the prolongation of the International Sugar Union :—

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The two supplementary amounts of 50,000 tons allowed to Russia for the annual periods 1912-13 and 1913-14 shall be so divided that the portion of the extra amount for each of the four half-years between the 1st September, 1912, and the 31st August, 1914, shall not exceed 25,000 tons.

(Signatures for Germany, Austria-Hungary, Austria, Hungary, Belgium, France, Luxembourg, Netherlands, Peru, Russia, Sweden, Switzerland).

Second Declaration.

The undersigned are authorized to make the following declaration on signing the protocol concerning the prolongation of the International Sugar Union :—

The Governments which they represent undertake, in event of their being unable to ratify the above-mentioned protocol before the 1st April, 1912, to give, on that date at latest, their definite assent to Russia being allowed the extra amount of export mentioned in Article 2 of the said protocol.

In witness whereof they have signed the present declaration.

Done at Brussels, the 17th March, 1912, in a single original, of which a certified copy shall be given to each of the signatory Governments.

(Signatures for Luxembourg, Peru, Sweden, Switzerland).

Third Declaration.

The undersigned is authorized to declare that the Government of His Majesty the King of Italy give their consent to Russia being allowed the extra amount of export for the annual periods 1911-12 and 1912-13.

Brussels, March 17, 1912.

COSTA.

Note addressed to the Belgian Minister for Foreign Affairs by the British Minister at Brussels.

M. le Ministre,

Brussels, March 17th, 1912.

On the 18th December, 1907, my predecessor, Sir A. Hardinge, addressed a note to your Excellency stating that he was authorized to sign the protocol relative to the admission of Russia to the Sugar Convention, subject to the reserve that the assent of His Majesty's Government to the protocol was limited to the provisions enabling Russia to adhere to the convention, and did not imply assent to the stipulation regarding the exportation of Russian sugar.

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In view of this reserve, His Majesty's Government consider that their assent is not necessary for the increase of the exportation of Russian sugar provided for in the protocol recently discussed by the International Sugar Commission, seeing that such assent has never been given to its restriction, and they do not therefore propose to authorize me to sign that protocol, which provides for an increase of the export of Russian sugar as well as for the renewal of the convention for five years from the 1st September, 1913. Nevertheless, in order to avoid all possibility of misunderstanding on the subject, I have been instructed by His Majesty's Principal Secretary of State for Foreign Affairs to state formally that His Majesty's Government see no objection to the increase of Russian export in this or any future year during the continuance of the convention, and I am to ask your Excellency to be so good as to communicate the purport of this note to the other members of the Sugar Union, with a request that they will take note of it.

I avail, &c., F. H. VILLIERS.

Sir F. Villiers to Sir Edward Grey.—(Received April 4.)

Sir,

Brussels, April 3, 1912.

I have the honour to report that I am in receipt of a note, dated the 1st instant, from the Belgian Minister for Foreign Affairs, asking me to inform His Majesty's Government that the ratifications of all the Powers enumerated in Article 3 of the protocol of the 17th March, 1912, concerning the prolongation of the International Sugar Convention have been deposited at the Ministry for Foreign Affairs. The ratification of the Grand Duchy of Luxembourg has also been deposited.

The note goes on to state that the Governments of the other States which signed the protocol, viz., Peru, Sweden, and Switzerland, which had been authorized to deposit their ratifications after the 1st April, have in the meantime signified their assent to the increase in the Russian export of sugar. As far as Great Britain and Italy were concerned, who had not signed the protocol, these countries had already given their assent to the increase in the Russian export by the declarations formulated by their representatives at the time of the signature of the protocol.

M. DAVIGNON further states that a certified copy of the *proces-verbal* of the deposit of the ratifications will shortly be communicated to His Majesty's Government.

I have, &c., F. H. VILLIERS.

THE WORLD SUGAR PROBLEM

WITHDRAWAL OF THE BRITISH GOVERNMENT FROM
THE BRUSSELS SUGAR CONVENTION.

Sir Edward Grey to Mr. Macleay.

Sir,

Foreign Office, August 2, 1912.

His Majesty's Government have had under consideration the conditions under which the Brussels Sugar Convention has been renewed as between certain of the parties to that instrument by the protocol of the 17th March, 1912, and they have reluctantly come to the conclusion that they will be unable to remain parties to that convention after the 1st September, 1913.

His Majesty's Government have, however, no intention of departing from the fundamental principles of the convention by themselves giving bounties on the export of sugar, or by giving preference to sugar produced within the British Empire on importation into the United Kingdom, or by imposing a higher customs duty on beet sugar than on cane sugar. They will, moreover, be prepared to maintain the present system of giving customs certificates to any refiners or exporters of sugar not made from bounty-fed materials who may desire such certificates, with a view to enable the sugar to be imported into the countries of the Sugar Union at the lowest rate of duty. His Majesty's Government will not depart in any particular from the policy laid down above without giving due notice through the usual channels to the States of the Sugar Union.

His Majesty's Government, in making this declaration of policy, desire at the same time to put on record their hope that the States of the Sugar Union, on their part, will in no way alter the existing régime applicable to sugar and sugared products to the detriment of British trade.

I request that you will inform the Belgian Government accordingly, and will request that the decision of His Majesty's Government to withdraw from the convention under the provisions of Article 10, as well as from the subsidiary arrangements by which this country is bound, may be communicated to the other Powers parties thereto.

I am, &c., E. GREY.

(Translation).

M. le Chargé d'Affaires,

Brussels, August 8, 1912.

In your letter of the 5th instant you notified to me the intention of the British Government to withdraw from the International Sugar Union as from the 1st September, 1913.

I have the honour to give you a formal acknowledgment of this denunciation.

In accordance with the wishes of the British Government, the Belgian Government have informed the other States of the Sugar Union thereof.

Accept, &c. DAVIGNON.

APPENDIX III.

Draft of a Proposed International Convention on the lines of the Brussels Convention of 1902.

By DR. H. C. PRINSEN GEERLIGS.

*Published, October, 1929.*¹

ARTICLE I.—The High Contracting Parties engage to suppress, from the date to be fixed hereafter, but, in any case, within a period which shall not exceed two years from the date of the coming into force of the present Convention, the direct and indirect bounties by which the production or exportation of sugar may profit, and not to establish bounties of such a kind during the whole continuance of the said Convention. For the application of this provision, sugar-sweetened products, such as preserves, chocolates, biscuits, condensed milk, and all other analogous products containing, in a notable proportion, artificially incorporated sugar, are assimilated to sugar.

The preceding paragraph applies to all advantages derived directly or indirectly, by the several categories of producers, from State fiscal legislation, and in particular to—

- (a) Direct bonuses granted on exportation ;
- (b) Direct bonuses granted to production ;
- (c) Total or partial exemptions from taxation which profit a part of the products of manufacture ;
- (d) Profits derived from excess of yield ;
- (e) Profits derived from too high a drawback ;
- (f) Advantages derived from any surtax in excess of the rate fixed by Article III.

ARTICLE II.—The High Contracting Parties engage to place in bond, under the continuous supervision, both by day and by night, of Revenue officers, sugar factories and sugar refineries, as well as factories for the extraction of sugar from molasses.

For this purpose, the factories shall be so arranged as to afford every guarantee against the surreptitious removal of sugar, and the officers shall have the right of entry into all parts of the factories.

Check registers shall be kept respecting one or more of the processes of manufacture, and finished sugar shall be placed in special warehouses affording every requisite guarantee of security.

¹ Translated from the French.

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ARTICLE III.—The High Contracting Parties engage to limit the surtax (that is to say, the difference between the rate of duty or taxation to which foreign sugar is liable and the rate of duty or taxation to which home-produced sugar is subject) to a maximum of 20 gold frs. per 100 kilog. on white sugar which polarizes 99° or more, and to 15 gold frs. on other sugar.

This provision is not applicable to the by-products of sugar manufacture and of sugar refining.

ARTICLE IV.—The High Contracting Parties engage to impose a special duty, in addition to that provided for in Article III, on the importation into their territories of sugar from those countries which may grant bounties either on production or on exportation.

The High Contracting Parties reserve to themselves, each so far as concerns itself, the right to prohibit the importation of bounty-fed sugar.

ARTICLE V.—The High Contracting Parties engage reciprocally to admit at the lowest rates of their tariffs of import duties sugar the produce either of the Contracting States or of those Colonies or possessions of the said States which do not grant bounties, and to which the obligations of the last paragraph of Article X are applicable.

Cane sugar and beet sugar may not be subjected to different duties.

ARTICLE VI.—The United States of America and the Republic of Cuba shall be exempted from the engagements imposed by the first paragraph of Article V, and may continue to grant each other reciprocally the benefits of a reduction of 20 per cent. on the import duties on sugar.

ARTICLE VII.—The High Contracting Parties engage to limit, not later than two years after the present Convention comes into force, to the maximum of 30 gold frs. per 100 kilog. on sugar polarizing 100° and in proportion on sugar of other polarization, the consumption or excise tax levied on sugar on its withdrawal from bonded warehouses for consumption and not to increase said tax above the rate in force on the 1st....., 19.....

ARTICLE VIII.—The High Contracting Parties engage to limit, not later than two years after the present Convention comes into force, to the figure of 40 gold frs. per 100 kilog. on white sugar polarizing 99° or more, and 35 gold frs. on other sugars, the total of the surtax and the consumption tax combined.

ARTICLE IX.—The High Contracting Parties agree to establish a Permanent Commission charged with supervising the execution of the provisions of the present Convention.

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This Commission shall be composed of Delegates of the several Contracting States, and a Permanent Bureau shall be attached to it. The Commission elects its President; it will sit at and will assemble at the summons of the President.

The duties of the Delegates will be :—

- (a) To pronounce whether in the Contracting States any direct or indirect bounty is granted on the production or on the exportation of sugar.
- (b) To pronounce whether the Contracting States levy on the importation of sugar which is the produce of a Contracting State any surtax in excess of that provided for in Article III.
- (c) To pronounce whether the Contracting States levy taxes on the consumption of sugar in excess of those provided for by Article VII.
- (d) To deliver an opinion on contested questions.
- (e) To prepare for consideration requests for admission to the Union made by States which have not taken part in the present Convention.

It will be the duty of the Permanent Bureau to collect, translate, arrange, and publish information of all kinds respecting legislation on, and statistics of, sugar, not only in the Contracting States, but in other States as well.

In order to insure the execution of the preceding provisions, the High Contracting Parties shall communicate, through the diplomatic channel, to the Government (or to the Council of the League of Nations), which shall forward them to the Commission, the Laws, Orders, and Regulations on the taxation of sugar which are or may in the future be in force in their respective countries, as well as statistical information relative to the object of the present Convention.

Each of the High Contracting Parties may be represented on the Commission by a Delegate, or by a Delegate and Assistant Delegates.

The first meeting of the Commission shall be held in under arrangements to be made by the Government (or by the Council of the League of Nations) at least three months before the coming into force of the present Convention.

The duty of the Commission shall be limited to findings and investigations. It shall draw up a report on all questions submitted to it, and forward the same to the Government, which shall communicate it to the States interested, and, at the request of one of the High Contracting Parties, shall convoke a Conference, which shall take such decisions or measures as circumstances demand.

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The reports on demands for admission will be passed by a vote of the majority—each Contracting State having one vote—and they will take effect in two months' time at the latest. Should one of the Contracting States consider it necessary to appeal against a decision of the Commission, the said State must, within eight days of notification to it of the said decision, require a fresh discussion by the Commission; the Commission will immediately hold a meeting, and will pronounce its final decision within one month of the date of the appeal. The new decision shall take effect, at latest, within two months of its delivery.

The expenses incurred on account of the organization and working of the Permanent Bureau and of the Commission—excepting the salaries or allowances of the Delegates, who shall be paid by their respective countries—shall be borne by all the Contracting States, and shall be divided among them in a manner to be determined by the Commission.

ARTICLE X.—The present Convention shall not affect the relations between Colonies, Possessions, or Autonomous Dominions and their Mother-Country, or between them; those relations shall be considered as internal matters not subject to the provisions of the Convention.

Nevertheless, if a Colony or Autonomous Dominion desires to be excluded from this exception, it shall be considered as an individual Contracting Party, with the full obligations and advantages stipulated in the articles of this Convention.

ARTICLE XI.—The High Contracting Parties engage, for themselves and for their Colonies or possessions, exception being made in the case of the Colonies and self-governing Dominions referred to in the last paragraph of Article X, to take the necessary measures to prevent bounty-fed sugar which has passed in transit through the territory of a Contracting State from enjoying the benefits of the Convention in the market to which it is being sent. The Permanent Commission shall make the necessary proposals with regard to this matter.

ARTICLE XII.—States which have not taken part in the present Convention shall be admitted to adhere to it at their request, and after concurrence has been expressed by the Permanent Commission.

The request shall be addressed through the diplomatic channel to the Government, which shall undertake, when occasion arises, to notify the adhesion to all the other Governments. The adhesion shall entail, as of right, acceptance of all the obligations and admission to all the advantages stipulated by the present Convention, and will take effect as from the 1st September following the dispatch of the notification by the Government to the other Contracting States.

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ARTICLE XIII.—The present Convention shall come into force from the

It shall remain in force for five years from that date, and in the case of none of the High Contracting Parties having notified to the Government, twelve months before the expiration of the said period of five years, its intention of terminating the effects thereof, shall continue to remain in force for one year and so on from year to year.

In the event of one of the Contracting States denouncing the Convention, such denunciation shall have effect only in respect to such State; the other States shall retain, until the 31st October of the year in which the denunciation takes place, the right of notifying their intention of withdrawing as from the 1st September of the following year. If one of these latter States desires to exercise this right, the Government shall summon a Conference at within three months to consider the measures to be taken.

ARTICLE XIV.—The fulfilment of the mutual engagements contained in the present Convention is subject, as far as necessary, to the completion of the formalities and requirements established by the Constitutional laws of each of the Contracting States.

The present Convention shall be ratified, and the ratifications shall be deposited at the Ministry for Foreign Affairs at on, or earlier if possible.

It is understood that the present Convention shall become binding, as of right, when ratified by the Contracting States. Should one or more of the said States not have deposited their ratifications within the period stipulated, the Government shall immediately take steps to obtain a decision by the other Signatory Powers as to whether the present Convention shall come into force among them alone.

APPENDIX IV.

Comments on the Proposal of Dr. Prinsen Geerligs for reconstructing the Brussels Convention of 1902.

By DR. VIRIATO GUTIERREZ.¹

The project of reconstruction of the old Brussels Convention of 1902 by Dr. PRINSEN GEERLIGS (published in Appendix III) is undoubtedly a work of great merit.

It aims at two fundamental objectives of unquestionable value, which should be applauded by all producers, namely: to put a limit to the extremes of protectionism, and to stimulate consumption through the healthy means of continued reduction in the cost of sugar to the consumer.

Besides, it is based on the effective guarantees of the Governments and the participation of the largest number of producing countries. And this also is to be commended.

It is not necessary here to give a detailed account of the plan, since it is already well known to those who make a study of these questions.

Of course, as its eminent author properly pointed out in his study in the edition of the newspaper *De Telegraaf*, of Amsterdam of September 28th, 1929, the figures mentioned by him in his project for the consumption tax and the surtax, and other details, were subject to discussion, since the principal object for him consisted in arriving at a regulation of the matter along the general lines suggested and in accordance with the present situation to which they would have to be adapted.

With these reservations it is possible in my opinion to arrive at a solution of the greater part of the practical difficulties which the internal political situations of certain countries—as, for instance, the United States—would present for a reduction in the present protectionist duties. I also suppose that by this means, which Dr. PRINSEN GEERLIGS leaves open, a solution could be found for other problems which other countries might present, such as the imperious necessity of maintaining their production of sugar by means of special bounties. Of course, the export bounties should disappear, but perhaps it may be necessary to surrender to the demands of some countries to continue bounties to its producers, who, otherwise, would not be able to exist, and provided, of course, such bounties did not lead to exports.

¹ From an article published in "El Mundo Azucarero" (New York) in July, 1930, which also appeared in newspapers of Havana and Amsterdam.

APPENDIX IV

There is, nevertheless, a vulnerable point in the general plan which Dr. PRINSEN GEERLIGS offers, to which it is not easy to find a solution, adhering to the system adopted by him of not interfering either with production or exports.

The difficulty arises from the text of Article 10 of his Project, by which, departing from the principle of the old Brussels Convention, the relations between the colonies or self-governing dominions and their mother-country are not affected by the Convention.

The exclusion of the colonies from the application of the Convention, implies that the sugars of the British Empire might receive additional tariff favours or complete exemption from duties, and other colonies likewise, and since the United States government has in view the increase of its duties, the Philippines will soon be enjoying a protection equivalent to a bounty of two cents per pound on raw sugar.

This situation does not prove compatible with the fundamental purpose of preventing the stimulation of world production, because it is precisely among a number of these countries that there is a probability of considerable expansion, provided they continue to enjoy free entry for their sugars or an increase in their preferential.

Dr. PRINSEN GEERLIGS himself has come to the conclusion, after a detailed study (in his report to the League of Nations, April 12th, 1929), that "the possibility of an unlimited expansion for some time to come cannot be regarded as wholly non-existent. In Cuba, the Argentine, India, the Philippines, Queensland, Natal, China, Africa, Brazil and elsewhere, plenty of land suitable for cane planting is still available. In many countries the sugar yield per unit of area is still so much lower than it might be that an immense increase could be secured by improving the variety of cane, planting equipment, methods of cultivation, manuring, manufacturing, etc."

And we can say with respect to the Philippines concretely, that they have a potential capacity for increasing their production to a great extent, not equalled perhaps by any other country. That the Philippines can increase their crop considerably and rapidly is proven by the experience of the last few years. The Philippines have in their favour, the subsidy which the customs duties of the United States grant their sugar producers, the abundance of lands and labour, the cheapness of both, and also the fact that the new Java cane, POJ 2878, is being rapidly propagated in the Philippines with very favourable results. On this point, *Facts about Sugar*, in its issue of March 1st, 1930, has the following to say:—

"The POJ 2878 repeats in the Philippines its performance in Java, where it is giving the planters about 30 per cent. more sugar than they were obtaining from EK 28 or DI 52,

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formerly their best varieties. With such an increased production within their grasp, the Java men were not slow in throwing their old varieties overboard and giving POJ 2878 practically one hundred per cent. of their available acreage. With the possibility of a similar increase being now offered to the Philippine planters, it is only natural to expect that they will show a similar eagerness to base their production chiefly on this remarkable variety.

"The significance of this development will not be overlooked by those who for one reason or another are interested in the possibilities of expansion of the Philippine sugar industry. The tests thus far made have not included all the sugar producing districts of the islands, but if history repeats itself there, as in Java, POJ 2878 will be the means of increasing the sugar production of those islands to a million tons annually without requiring the planters to clear a single acre of new ground or open a single extra furrow."

Evidently, in order to solve this situation, looking forward not to the next six or eight years, but to a more distant future, we must consider the figures of production or of exports.

The observation can also be made in regard to Dr. PRINSEN GEERLIGS' project, that the measures which he proposes would operate too slowly in their effect upon the sugar market. This seems to be evident.

But if the evils now existing are acute, then they require more rapid, almost heroic, remedies, and they must be applied to the figures of production or of exports. We therefore conclude that it is necessary to introduce certain changes in Dr. PRINSEN GEERLIGS' project.

By combining the principles of the normalization of protection (PRINSEN GEERLIGS' project) with the principles of stabilization of exports (Brussels Agreement of July, 1929), the mediate and immediate solution of the world's sugar problem would be found.

Besides putting a stop to the excesses to which protectionism has been carried (by the total suppression of export bounties, by the suppression or decrease, as far as possible, of the bounties on production, by the reduction, to the extent that may be feasible, of the tariff protection or surtax and of the consumption taxes), it is necessary to seek, by more rapid means, an equilibrium between the supplies of sugar (stocks and current production) and the effective consumption of the world.

We believe those means to consist in the stabilization of exports for the period of time which may be considered necessary (according to the statistics of stocks or of surpluses and the normal increase of consumption) to bring about an effective equilibrium between production (including the existing surpluses) and consumption.

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The combination of these means with those proposed by Dr. PRINSEN GEERLIGS, by uniting them within the same plan, is the logical solution.

We therefore venture to suggest as an ideal agreement for the solution of the problems of the world sugar industry, the reconstruction of the Brussels Convention of 1902, as proposed by Dr. PRINSEN GEERLIGS, with the following modifications and additions :—

First.—The High Contracting parties agree that for a period of (four or five) years there shall not be exported annually from their respective countries to foreign countries or to other countries under the same sovereignty quantities of sugar in excess of the equivalent of the highest quantity which they have exported in any of the last five years, counting from the year 1925, namely : (Here should follow the list of countries, with the maximum quantity of exports to which they would be entitled annually and the date from which the exports should begin to be counted).

Second.—If any country, after having exported the amount of sugar to which it is entitled, in accordance with this convention, should find itself in possession of a considerable surplus, it shall study and put in practice the means to prevent this surplus from increasing and to obtain as far as possible its reduction in the course of the following year.

Third.—If any country should have been unable to export, during the course of the year, the full quantity to which it is entitled, on account of a decrease in its production, or because its own internal consumption has increased, or for any other reasons, the quantity which it failed to export cannot be exported in a subsequent year and it can never make up such deficiency by exporting more than its annual quota in a subsequent year, since the quotas of exportation only indicate maximum possibilities within each year.

Fourth.—The High Contracting parties, whose production being at present less than their national consumption, are as yet unable to export their own sugars without substituting for them foreign sugars, agree for a period of (four or five) years not to export annually to foreign countries a quantity of sugar which in total exceeds the equivalent of the amounts imported from foreign countries, in the same period of time.

Fifth.—(In case it is absolutely indispensable, the following stipulation could be added to the first paragraph of Article I of Dr. PRINSEN GEERLIGS' project) :—

“ Nevertheless, the following countries reserve the right to maintain the existing direct bounties on production or to create other direct bounties on production in substitution

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of the indirect bounties which they agree to suppress, for the sole and exclusive reason that they consider said direct bounties on production to be absolutely indispensable for maintaining the latter for their national consumption, but in no case for export."

Sixth.—(Also if it were inevitable, on account of the internal political situation of certain countries, the following could be added to Article 3 of Dr. PRINSEN GEERLIGS' project):—

"Nevertheless, the following countries only agree to do what is possible, within their constitutional systems, to reduce their protective duties or surtaxes to the limits fixed in this article, and in any case they agree not to increase their present protective duties, during the life of the present convention."

The preceding paragraphs contain the fundamental points for uniting the two plans which we have been examining. Other details, such as the full powers of the Permanent Committee and the form in which the voting should be done in order that the agreements may be binding upon all, are questions of lesser importance, which could easily be settled.

And in conclusion, let me repeat what I have said above, namely: that an International Conference called together to discuss and agree to a Convention along the lines stated, would give the definitive solution of the present evils of the world sugar situation, and until that ideal is attained, an agreement such as that which was reached at Brussels last year, in which the producers in other countries, such as the Philippines, the Dominican Republic and Peru, and also those of Java, should participate, would be the most constructive step taken in the world's sugar industry, since the Brussels Convention of 1902, and would produce immediate and fruitful results, both for the producers and for the consumers, by creating order and confidence in an industry at present in great distress.

VIRIATO GUTIERREZ.

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2003-04