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LEAGUE OF NATIONS

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ECONOMIC ORGANISATION

CONSULTATIVE COMMITTEE

APPLICATION  
OF THE RECOMMENDATIONS

OF THE

INTERNATIONAL  
ECONOMIC CONFERENCE

REPORT ON THE PERIOD MAY 1927 TO MAY 1928

prepared for the First Meeting of the Consultative Committee  
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# Application of the Recommendations of the International Economic Conference May 1927 - May 1928

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The Consultative Committee having been set up by the Council of the League of Nations "to follow the application of the Economic Conference recommendations", the present report, drawn up by the Secretariat on the Chairman's instructions, is designed to provide the Committee, on the occasion of its first meeting, with a brief outline of the principal events that have taken place since the end of the Conference in the field covered by its resolutions. Some of these events are the outcome of autonomous action on the part of Governments, or initiative on the part of independent organisations, while some are due to collective action under the auspices of the League.

While the collective action in question may be definitely regarded as directly due to the Conference, it is difficult to decide whether, and to what extent, the latter has influenced the policy of the various Governments in their relations with one another. This is a question we do not propose to deal with in the present report, though we shall endeavour to collect information on the basis of which a judgment may be formed.

## I. ATTITUDE OF THE COUNCIL, THE ASSEMBLY AND THE VARIOUS GOVERNMENTS TO THE FINAL REPORT OF THE CONFERENCE.<sup>1</sup>

### I. COUNCIL RESOLUTION<sup>1</sup>.

At the beginning of June 1927, a few weeks after the close of the Conference, the Council of the League of Nations, after an animated discussion, in which all its members took part, unanimously approved the report of the Conference and expressed the opinion that the latter had "fully carried out its task of setting forth the principles and recommendations best fitted to contribute to an improvement of the economic situation of the world, and in particular to that of Europe, thus contributing at the same time to the strengthening of peaceful relations among nations". The Council likewise commended the report to the favourable consideration of all Governments.

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<sup>1</sup> See document C.E.I. 45 (1). Official declarations concerning the recommendations of the International Economic Conference.

## 2. ASSEMBLY RESOLUTION.

More explicit and more complete was the approval given by the Assembly of September, 1927, in the following terms<sup>1</sup>:

“ The Assembly:

“ Takes note of the report of the Economic Conference held in May last, in accordance with the initiative taken by the Assembly at its sixth ordinary session;

“ Congratulates sincerely the President and the members of the Conference appointed by the Governments of fifty countries upon the fact that, comprising so many qualifications, and representing every variety of responsible opinion, they were able to agree unanimously upon recommendations at once definite in character and wide in range, whose adoption would effect a substantial improvement in the present economic policies of the world;

“ Notes with satisfaction that many Governments have already made declarations accepting the principles laid down by the Conference and stating their intention of co-operating in their application, while no declaration in the contrary sense has been made;

“ Believes, therefore, that there is every reason to hope for universal approval when the public opinion of all countries has been sufficiently instructed;

“ Recommends the resolutions of the Conference, as the Council did in June 1927, to the favourable consideration of all Governments, and trusts that those Governments which have not yet declared their support will shortly be able to do so;

“ Invites the Economic Organisation of the League of Nations to prepare as soon as possible a summary of the replies of the various Governments as to their attitude to the recommendations of the International Economic Conference, and to make known the action that the various Governments have taken or may take in pursuance of the recommendations of the Economic Conference;

“ Trusts that the economic policies of all countries may develop in accordance with the principles laid down by the Conference and desires that the Economic Organisation of the League should take these recommendations as the basis of its work;

“ Trusts, in particular, that the recommendations of the Conference relating to tariffs and commercial policy will be put into effect, not only by national action and bilateral agreements, but also, whenever practicable, by collective conventions reached by means of international conferences of accredited representatives with the aim of gradually evolving among the trading nations of the world, and particularly among those of Europe, common lines of policy beneficial to all and not subject to the uncertainties of purely bilateral bargaining, careful attention being given to the special conditions existing at any moment and to the necessity of realising this policy by stages and without undue disturbance;

“ Expects the Council of the League of Nations and the Economic Organisation to devote their untiring efforts to the realisation of this urgent task and hopes that the Governments will give to it their cordial support and active collaboration ”.

## 3. DECLARATIONS OF GOVERNMENTS.

In declarations, some of which were made in the Council, the Second Committee or the Assembly, and some communicated to the Secretary-General<sup>2</sup> in writing, the

<sup>1</sup> See document A.92. 1927.II.

<sup>2</sup> See document C.E.L.45. (I).

Governments of twenty-nine States, twenty of which are in Europe, have officially expressed their attitude towards the conclusions of the Economic Conference.

These declarations vary very widely in scope and purport, according as the Conference's report had already been carefully studied by the Government concerned or not. We find in this collection both more general expressions of approval and declarations of the highest importance, based on Cabinet, or in some cases Parliamentary, decisions. Several Governments have laid the Conference report before their Economic Councils<sup>1</sup>, while others have set up special commissions for the purpose.

Notwithstanding the varying importance of these declarations, it can be stated:

(a) That all these Governments, without exception, recognise that the principles advocated by the Conference rest upon a realistic view of the economic situation of the world, and particularly of Europe, and that their application, more especially to commercial and tariff policy, would be calculated to relieve the world economic situation to a considerable extent;

(b) That most of the Governments in question state that they either hope or intend to apply these principles in their own autonomous policy as well as in their relations with other countries;

(c) That certain Governments have already undertaken to bring their economic policy into line with these principles, and have declared themselves willing to take steps in this direction forthwith in negotiation with other countries;

(d) That all the Governments, without exception, announce their willingness to co-operate cordially in any collective and concerted action undertaken under the auspices of the League for the purpose of applying the recommendations of the Conference.

\* \* \*

Thus the principles formulated in May by highly competent experts of fifty different nationalities were officially sanctioned in September by the approval of the Council, the Assembly and the Governments of a large number of countries.

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<sup>1</sup> The Economic Council of the Reich, whose attention was called by the German Government to the Report of the Economic Conference, has just published an important report on the conclusions of that Conference.

## COMMERCE

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### II. BRIEF SUMMARY OF GENERAL SITUATION.

The following general features appear to emerge from the above statements of developments in each country.

1. Tariffs actually in force at the present date appear to be on the whole higher than those in force when the Economic Conference met in May 1927.

2. In May 1927, however a number of new tariffs were in preparation, or before the respective Parliaments, which were much higher than the tariffs hitherto in force. And the tariffs actually adopted are on the whole considerably lower than the tariffs that were then so proposed.

3. Moreover, a considerable number of commercial agreements providing for reductions in a number of items, directly as between the parties to the agreement and indirectly by their extension through the most-favoured-nation clause, have been contracted during the past year.

4. A number of powerfully supported demands for increased tariffs made during the year have been rejected.

5. Among the influences which have in some cases reduced tariffs and in other cases prevented or reduced the extent of increases, there is evidence that the recommendations of the Economic Conference have played a considerable part.

6. With the adhesion of France, the most-favoured-nation clause has again become a central feature in the commercial policy of the world.

7. In a number of countries, the opposing tendencies towards higher or lower tariffs appear to be equally matched. In these cases much will doubtless depend upon whether it is believed that the movement towards lower tariffs in the world as a whole is likely to be successful or not. The present period is therefore a crucial one.

A fuller appreciation of the present world situation would involve a greater measure of judgment than the Secretariat has thought it proper to attempt in the present note. Doubtless the Consultative Committee will desire to add such an appreciation.

### III. AUTONOMOUS AND CONTRACTUAL ACTION ON THE PART OF GOVERNMENTS. TARIFFS AND TRÉATIES.

#### A

#### THE FRANCO-GERMAN TREATY AND ITS EFFECTS.

##### I. *The Franco-German Treaty.*

Among the important events of the past year the central place must indisputably be given to the *Treaty of Commerce concluded between France and Germany* on August 17th, 1927.

Apart from its commercial, political and historical importance, this treaty has produced a number of consequences which, taken as a whole, form the salient feature of the period under consideration.

The treaty came into force on September 6th, 1927. It represented the issue of protracted negotiations, which opened in October 1924 — just before Germany regained her freedom of action in tariff matters in regard to the Allied and Associated Powers — and were frequently interrupted and resumed, provisional arrangements of very limited scope being made to cover the intervening periods<sup>1</sup>. The first rock on which the negotiations struck was the question of most-favoured nation treatment. Germany demanded this treatment, and France at first refused it, but eventually undertook (Protocol of February 1925) to consider the possibility of granting it if the two Parties should arrive at a general and final agreement.

Another and more serious difficulty was that in revising her tariff (Minor Tariff of October 21st, 1925), Germany had raised considerably — in some cases to a very high rate — the duties which most affected French exports. France, on the other hand, still retained her old tariff of 1892, which, though amended by several later laws, was fundamentally almost unaltered, and was consequently obsolete, having regard to developments in industrial technique and to the far-reaching changes in French industry during and after the war. This was a very serious defect and could not be adequately remedied by the increases in duty rates introduced in July 1918, March 1921, and April and August 1926, in order to adjust them to the altered value of goods and to neutralise the depreciation of the mark and the franc.

Accordingly a new draft tariff (the Bokanowski draft) was drawn up as a basis for the negotiations, and was laid before the Chamber in March 1927. The new tariff retained the four sections of the old tariff, but increased the number of items from 654 to 1,750 apart from subdivisions. It further proposed an increased degree of protection, particularly for manufactured goods. Having — not without certain reservations and modifications — received the approval of the Customs, Revenue, Commerce, and Industry Commissions, it encountered severe criticism in Parliament, in the Press, and among the general public: it was feared that this large increase in duties would lead to a rise in the cost of living. At this point the International Economic Conference met. Its final report appeared at the height of the discussions caused by the new draft tariff (the Bokanowski draft), and everybody in France agrees that it had a considerable influence on the discussion. The debate in the Chamber dragged on, without reaching any conclusion, until the provisional agreement with Germany expired (June 30th, 1927). Germany then said that she did not propose to prolong the agreement of August 1926, unless she had some assurance that the French tariff would remain relatively stable, and she therefore wished that France should first succeed in carrying through her tariff reform.

As from July 1st, 1927, therefore, the two countries charged each other their highest duties; and since this situation was seriously prejudicial to their interests, the French Government asked the Chamber for urgent powers to modify the Customs duties by decree within three months, with a view to the conclusion of commercial agreements; these powers were granted by the Law of July 28th, 1927.

In this manner the duties on the most important German imports (mechanical, metallurgical, electro-technical, etc.) were, indeed, raised considerably in comparison with the tariff in force, but remained 30, 60, even as much as 80 per cent below the duties proposed in the Bokanowski draft. France was thus able to come to an agreement with Germany on the basis of most-favoured-nation treatment.

*The treaty was signed on August 17th, 1927. The two Governments concerned have officially admitted that it would have been much more difficult to conclude this agreement if*

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<sup>1</sup> "Accord des primeurs" (Agreement regarding fruit and vegetables), February-April 1926; Agreement of August 15th, 1926, twice prolonged, expiring June 30th, 1927.



*the Parties had not been able to rely upon the principles laid down by the International Economic Conference and to benefit by the atmosphere created by its discussions.*

The chief features of the treaty are as follows:

(a) The two Contracting Parties grant each other most-favoured-nation treatment. This concession is subject to temporary restrictions and limitations, but is to become complete as from December 15th, 1928<sup>1</sup>.

The granting of the most-favoured-nation clause by France marks not merely a new trend in her commercial relations with Germany, but also a turning-point in her treaty-making policy, which henceforth will conform to one of the most essential recommendations of the Economic Conference.

(b) The two Contracting Parties agree to consolidate a large number of duties. In the case of France, this means a consolidation of incidence rather than a consolidation of rates. France undertakes not to revise the duties on goods in List D unless the index of wholesale prices for these goods in the French market shows a variation exceeding 20 per cent with reference to the index for July 1927<sup>2</sup>.

(c) The treaty amends, in a sense favourable to the importer, the definition of dutiable value in regard to goods (except motor-cars) liable to *ad valorem* duties in France.

(d) The treaty also specifies the treatment to be granted to German goods in the French colonies (including Morocco), and to the produce of those colonies in Germany<sup>3</sup>.

(e) The treaty may be denounced at any time after March 31st, 1929 (or even earlier in certain cases specified in the text), and will lapse three months after denunciation.

Such is the general outline of this treaty, which represents the first attempt since the war to secure a general agreement between two of the most important economic units of the European Continent. The two countries have also since concluded two conventions in application of the treaty of August 17th. The first of these relates to trade between Germany and the Saar: while maintaining unimpaired the principle of the economic and Customs union of the Saar with France, it introduces certain modifications suggested by experience. The second Convention (signed on March 17th, 1928) alters the methods of collecting the levy of 26 per cent on German imports into France.

If we now consider the effects of the treaty of August 17th on trade between the two Contracting Parties, we find that it has opened the German market to French agricultural produce (wines, preserves, cheeses, early fruit and vegetables, etc.), textiles and clothing. In return, it has opened the French market to the German mechanical and chemical industries.

On both sides the treaty has given rise to apprehension in certain circles, but it has, generally speaking, had a good reception in both countries, and has had the immediate effect of stimulating mutual trade.

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<sup>1</sup> In the meantime, German products imported into France enjoy either the minimum tariff duties as they were prior to September 6th, 1927 (List A, comprising about 280 items), or the minimum tariff duties introduced by the Government under the Law of July 27th, 1927, referred to above, which duties came into force on September 6th (List B, comprising about 700 items for which the protection previously provided was regarded as insufficient), or to duties intermediate between the general tariff and the minimum tariff (List C). French goods imported into Germany are subject to the duties and enjoy the advantages specified in List E, or are granted most-favoured-nation treatment (List F).

<sup>2</sup> The principle of maintaining the incidence of duties, which had already been applied in several cases by France before the treaty with Germany, was explicitly laid down in the draft Customs law appended to the Bokanowski tariff, and has been regularly followed by France in her subsequent agreements with Switzerland, Belgium and Italy.

<sup>3</sup> The treaty contains other provisions in addition to the clauses dealing with strictly tariff and Customs matters, and on certain subjects it makes reference to provisions which have been or are to be embodied in international conventions (Geneva, The Hague, etc.).

The treaty was quickly followed in France by two Decrees (dated September 2nd and November 2nd, 1927) raising the duties on cereals, cattle and meat. The object was to satisfy the farmers, who considered that they had been hit by the Franco-German agreement, which, they said, had upset the balance between agriculture and industry to the detriment of the former.

2. *Effects of the Franco-German Treaty on other Countries. — Addendum to the French Tariff.*

In order now to realise to how great an extent this treaty was bound to effect the economic position of other countries, we must remember that, although it lowered a considerable number of duties in the German tariff and attenuated to a large extent the degree of protection which the Bokanowski draft was designed to secure, it had the immediate effect of subjecting third States to considerably higher import duties in France, particularly on metallurgical, mechanical and electro-technical goods, apparatus and instruments of precision, chemical products, etc.

The treaty affected not only those countries which benefited by the French minimum tariff, but also those whose goods paid the maximum tariff duties in France. These are equivalent to four times the duties of the minimum tariff, and consequently increase automatically as the latter increases.

(a) **United States.** — The first protests came from the *United States*. In this connection it should be recalled that there was no special agreement between the United States and France and that the latter subjected American goods to three different regimes (minimum, maximum and intermediate duties). The Franco-German treaty produced a far-reaching change in the situation, inasmuch as it raised the minimum and maximum tariffs and at the same time re-established the general tariff in regard to American goods, so that, for example, goods which up to September 6th paid the maximum duties in force prior to 1921 (equal to the minimum duties plus 50 per cent) had thereafter to pay the new maximum tariff duties, equal to those of the increased minimum tariff plus 300 per cent.

Relying on the principle of non-discrimination laid down in the Fordney Bill, the United States claimed equal treatment with Germany, and announced and took reprisals even before the discussions came to an end. France relied upon her tariff legislation, which did not allow her to grant the United States the privileged treatment demanded except on condition of reciprocity. This conflict of law could not be easily settled, and consequently the two Parties, both of whom displayed a conciliatory spirit, gave up discussing the question of principle and came to a provisional agreement. France re-established for American goods, the regime in force prior to September 6th, 1927, except goods which before that date paid duties lower than the new minimum duties introduced by the Decree of August 30th; these were made subject to the new minimum tariff (Decree of November 15th, which came into force on November 21st).

The United States, on their side, undertook to withdraw the countervailing duties imposed on French goods under the Fordney Bill, to cease investigating in France the value of goods despatched to America which were subject to *ad valorem* duties in that country, and to give favourable consideration to any changes France might propose in the American sanitary regulations, which France regards as hampering her animal and vegetable exports.

(b) **Switzerland.** — The raising of many duties in the French minimum tariff, as the result of the treaty with Germany, was also a matter of concern to *Switzerland*, who realising that her trade balance with France had been showing a downward trend for some time, had already presented a number of demands to the French Government when the draft law for the revision of the French Customs tariff was introduced. Switzerland

asked that negotiations should be opened as soon as the Franco-German agreement came into force.

The negotiations began on September 28th, 1927, but proved very difficult, since, while France was anxious to satisfy the Swiss claims, she wished to limit her concessions to specifically Swiss products, in order to prevent other countries from benefiting by them under the most-favoured-nation clause. As, however, almost all Swiss products, particularly those of the mechanical, electrical and chemical industries, are also manufactured elsewhere, this was not easy to arrange. An agreement was reached, however, on January 21st, 1928, whereby Swiss machinery, electro-technical and chemical products and silk goods obtained reductions of varying extent—amounting to 30 or 40 per cent on certain products with which Switzerland is chiefly concerned — on the French duties. In return, Switzerland consolidated her duties on a number of agricultural products, on certain textile, metallurgical and mechanical products, and on motor-cars from France.

The agreement of January 21st — which came into force on February 25th and may be denounced at any time after April 1st, 1929, to lapse three months after denunciation — was supplemented by an additional clause, signed on March 11th and coming into force on April 15th, which dealt with Swiss embroidery, textiles, clocks and watches. The principal benefits it secured to France consisted in consolidations of the Swiss tariff and in certain tariff reductions. (The simple consolidations cover about eighty entire items and eight part items.) It is noteworthy that the regime for Swiss silk goods, clocks, and watches in France was established after an agreement had been reached between the manufacturers in the two countries.

(c) *Belgium.* — For reasons similar to those which operated in the case of Switzerland — a trade balance becoming increasingly unfavourable to the Belgo-Luxemburg Union, and the raising of the French duties under the Decree of August 30th, 1927, which seriously affected Belgian exports — Belgium asked France for alleviations of the tariff and the French Government said that it was willing to grant them provided Belgium made concessions in regard to the increase in Customs duty coefficients which she proposed to make as a contribution to the improvement of the exchange and the stabilisation of the Belgian franc<sup>1</sup>. The negotiations — lasting several months, on account of difficulties in connection with French wines, with which Luxemburg wines compete in the Belgian market — ended in the Agreement of February 23rd, 1928, which came into force on April 15th; its period of validity and the denunciation clauses are identical with those in the Franco-Swiss Agreement of January 21st<sup>2</sup>.

The French tariff reductions affect about 100 heads, relating chiefly to textiles, locomotives, arms, pharmaceutical specialities and metallurgical and electro-technical products from the Union. A new quota has also been established for Belgian horses. In return, Belgium is consolidating the coefficients of her duties at the existing rates, or at a level which, though higher than that now in force, is lower than the level proposed (in certain cases the duties hitherto in force have been reduced) for certain goods with which the French export trade is concerned, such as silk goods, wines, motor-cars, toys, fresh fruit and flowers, etc.

<sup>1</sup> As early as June 1927, it was announced that the Belgian Minister of Finance was engaged in revising the coefficients of increase on the Belgian Customs tariffs duties, to bring them into line with the new values acquired by goods as a result of the stabilisation of the currency. The reform has not yet been carried through, but the new draft tariff, involving very considerable increases in duties, has already been prepared, and was taken as a basis for the negotiations with France which led to the Agreement of February 23rd, 1928. Meanwhile, comparatively unimportant adjustments affecting only about a dozen heads, have been made in the tariff in force (October 1927).

<sup>2</sup> April 1st, 1929, is the date on which Germany and France may denounce the agreement of August 17th, 1927, and on which the French Parliament can consequently, if it so desires, call for a revision of the Customs tariff.

The Agreement of February 23rd, which replaces the arrangements of 1892, 1924, 1925 and 1926, provides, in addition to most-favoured-nation treatment (which remains the basis of the treaty system between France and Belgium), a number of provisions relating to export duties, consumption taxes, direct transit, nationality of goods, etc., as complete as those in the Franco-German Treaty, and in most cases expressed in the same terms. The Franco-Belgian Convention appears to represent an equitable settlement of the claims of both countries; such, at least, is the general opinion both in France and in the Belgo-Luxemburg Union.

(d) **Addendum to the French Tariff.**— France had now to complete the Customs revision initiated by the Decree of August 30th, 1927, in order to guarantee adequate protection to those industries whose products have to meet competition from similar German products, which, though at present liable to the general tariff duties or to intermediate duties, will benefit by the minimum tariff as from December 15th, 1928. The French Government accordingly found it necessary to introduce an *addendum to the tariff*, which was approved by the Chamber at the beginning of March 1928. This addendum also served the purpose of strengthening agricultural protection (the duties on all agricultural produce were raised in consequence of the decline in the value of the franc since 1914), and of adjusting the various duties. Such adjustment was made necessary by the tariff changes brought about by the agreement with Germany; the duties had to be graded according to the amount of work incorporated in the various manufactured products.

The addendum was favourably received by farmers, but gave rise to discussions on the following principal points: the disproportion which arose between different sections of the tariff owing to partial revisions, the excessively detailed nomenclature, the maintenance of coefficients and the difference of 300 per cent between the minimum tariff and the general tariff owing to which it was feared that the latter might not operate as it was intended to do.

(e) **Italy.** — As the above-mentioned agreements and the introduction of the addendum had affected the treatment of Italian imports into France, the French and Italian Governments recognised that the new situation thus created required examination. After a short period of negotiation, they concluded an agreement (March 7th, 1928) which is strictly limited to Customs matters and leaves in operation all the clauses of the pre-existing commercial agreements between the two countries. The agreement comprises two lists, one of which contains Italian goods (31 items in the French tariff) and specifies the French import duties on them: cheese, fruit, olive-oil, vegetables, wines, marble, hemp yarn, dynamos, hats and buttons. The second list contains French goods (22 items in the Italian tariff) and specifies the Italian import duties on them; cheese, wines, cotton lace, carpets, machine tools, binoculars, meters, peltries, precious stones, toys, etc.

The Franco-Italian agreement came into force on April 3rd, 1928.

(f) **Austria.** — On April 16th, France and *Austria* signed a protocol improving the treatment of specifically French goods in Austria, and granting Austrian goods imported into France the advantages enjoyed by Belgium, Switzerland and Italy. This Protocol is not strictly limited to tariff matters, but embodies a complete settlement of the economic relations between the two contracting countries.

(g) **Czechoslovakia.** — On April 22nd, an agreement was also concluded between France and *Czechoslovakia*. It proposes that in the future treaty the most-favoured-nation clause should be granted reciprocally.

The Franco-Austrian and Franco-Czechoslovak negotiations for the conclusions of definitive treaties will shortly be resumed.

B.

TARIFF AND TREATY-MAKING POLICIES OF OTHER COUNTRIES.

I. *European Countries.*

**Austria.**

A law of October 27th, 1927, altered, and in most cases increased, a number of general duties in the Customs tariff, notably those on flour, cattle, fat hogs, and butter.

1. Treaty of Commerce with Finland, concluded on August 8th, 1927; came into force on February 18th, 1928. Based on the principle of most-favoured-nation treatment, with tariff clauses (a few duties consolidated and a few reductions). Duration unspecified.

2. At the end of March, 1928, Austria and Hungary concluded a commercial agreement. Austria obtained a concession whereby she was able to maintain a certain degree of Customs protection for her flour — this having been the principal difficulty in concluding the agreement — in return for concessions on certain industrial products.

Validity, one year.

3. Additional agreement with Czechoslovakia (see below under Czechoslovakia).

4. Preliminary agreement with France (see Chapter II, A.2).

**Belgo-Luxemburg Union.**

No important revision of the tariff.

Commercial Agreement with France (see Chapter II, A 2 (c)).

**Great Britain.**

In reply to a question in Parliament (December 1927), the Government stated that it was not prepared to introduce protective duties on iron and steel under the Safeguarding of Industries Act.

**Bulgaria.**

With regard to the tariff, no important changes have taken place.

1. Provisional Commercial Agreement with Japan, signed at the beginning of November 1927; came into force on November 27th, 1927. Based on the principle of most-favoured-nation treatment.

2. Treaty of Commerce and Navigation with Turkey, signed on February 12th, 1928. Based on the principle of most-favoured-nation treatment, with tariff clauses (consolidations or reductions affecting 14 items in the Bulgarian tariff and 19 in the Turkish tariff). Validity, one year; may be denounced at six months' notice.

**Czechoslovakia.**

The Decree of August 4th reduced the Customs duties applicable to 26 tariff headings.

1. Commercial Agreement with Hungary, signed on May 31st, 1927; came into force on August 8th, 1927. Based on most-favoured-nation treatment. Contains an undertaking by the two Parties to comply with the Barcelona Convention and Statute (1921) in regard to freedom of transit, and the Geneva Convention (1923) relating to the simplification of customs formalities in regard to industrial identity cards required for the exercise of trade by nationals of each of the Parties in the territory of the other. In addition, the Treaty, contains tariff regulations (reductions of duty in the case of 78 Czechoslovak tariff items and 198 Hungarian tariff items). The agreement may be denounced at any time, and will terminate six months after denunciation.

2. Additional Agreement to the Commercial Treaty with Austria. Signed on July 21st, 1927; entered into force provisionally on August 10th, 1927. Contains tariff provisions (reductions of duties in the case of 103 items in the Czechoslovak tariff and 130 items in the Austrian tariff).

3. Commercial Treaty with Canada. Signed on March 15th, 1928. Based on the most-favoured-nation clause.

4. Preliminary Agreement with France (see Chapter II, A.2).

## Denmark.

In July 1927, the Government rejected a persistent demand from the industries concerned for Customs protection for textiles and clothing. The reason given by the Government for its refusal was that the industries could reduce costs of production by from 10 to 20 per cent if they rationalised their methods.

In March 1928, there was laid before the Riksdag a draft law to incorporate in the tariff the duties on luxury articles introduced by the law of June 20th, 1924, and to alter the duties on certain goods.

Convention of Commerce and Navigation with Spain (see below under Spain).

## Finland.

By a law dated December 12th, 1927, and a decision of the Stadsrad of December 30th, 1927, Customs duties in 1928 will be based on the duties levied in 1927, with certain changes, representing a slight decrease. Several chemical products have been entirely exempted from import duty.

1. Treaty of Commerce with Austria (see above under Austria).
2. Commercial agreement with Switzerland (see below under Switzerland).

## Germany.

The validity of the Customs tariff revised in October 1925, which was to have expired on July 31st, 1927, was extended (by a law of July 15th, 1927), to December 31st, 1929, as the investigation on which the reform projected since the Armistice is to be based had not yet been concluded. The tariff revision of 1925 had given rise to complaints from the farmers, who said they were being sacrificed to the manufacturers. In a speech at the German Industrial and Commercial Congress (Hamburg, June 22nd, 1927), the Minister Curtius admitted that the duties in the revised tariff (the object of which was to enable pressure to be exerted on the other Contracting Party in commercial negotiations) gave excessive protection to finished manufactured goods. He added that the Government of the Reich was anxious to remove as soon as possible the existing disparity between the Customs protection of agriculture and of industry, but that it proposed to do this, not by raising the level of duties on agricultural produce, but by making a corresponding reduction in the level of industrial duties. These reductions announced by M. Curtius are still under consideration by the Economic Council of the Reich (they affect some 500 items in the tariff), and it appears that a final decision on the subject will depend on the attitude adopted by the countries which would benefit by the proposed reductions in regard to the recommendations of the Economic Conference of May 1927. Meanwhile the Reich Government has raised the duties on three agricultural products—potatoes (100 per cent) sugar (50 per cent) and pork (50 per cent).

1. Treaty of Commerce with France (see Chapter II, A.1).
2. Treaty of Commerce with the Kingdom of the Serbs, Croats and Slovenes, signed on October 6th, 1927; came into force provisionally on December 22nd, 1927. This treaty contains tariff clauses, but their effect is either limited (reductions of duties affecting six items in the German tariff and 21 items in the Yugoslav tariff). Its object is to establish the economic relations between the two countries on a broader base by introducing the right of settlement and sojourn, the recognition of commercial companies of all kinds, and consular rights. Validity, two years; may be denounced at six months' notice.
3. Provisional agreement with Poland, signed on November 22nd, 1927; came into force on November 26th, 1927. The agreement lays down that between December 1st, 1927, and November 30th, 1928, a specified quota of timber may be imported from Poland into Germany; it also fixes the Polish export and German import duties on timber.

Under the same agreement Poland allows, as an exception to her prohibition measures, the importation of certain German goods up to specified quotas.

4. Treaty of Commerce and Navigation with Japan, signed on July 20th, 1927, after several years of negotiation. Based on unconditional most-favoured-nation treatment, without tariff clauses (it is, however provided that negotiations shall be continued with a view to the introduction of those tariff reductions in

which either Party is specially interested). The Parties undertake to apply the provisions of the Geneva Convention (1923) regarding the establishment of certificates of origin and the treatment of samples. The value of this treaty from Germany's point of view resides in the fact that new exceptional provisions (like the regulations regarding licences for dyestuffs<sup>1</sup>, which were to be expected in view of the protectionist trend of Japanese policy, cannot in future be introduced to the detriment of Germany alone. Validity, two and a half years. May be denounced at six months' notice.

5. Treaty of Commerce with Greece, signed on March 24th, 1928. Based on the most-favoured-nation clause, with tariff clauses (affecting 80 items in the Greek tariff and 13 items in the German tariff): Validity, two years.

### Greece.

There have been no important changes in regard to the tariff.

1. Treaty of Commerce and Navigation with the Kingdom of the Serbs, Croats and Slovenes, signed on November 2nd, 1927. Based on the principle of most-favoured-nation treatment, with tariff clauses (consolidations and reductions affecting 16 items in the Serb-Croat-Slovene tariff and 22 in the Greek tariff). Validity, one year. May be denounced at three months' notice.

A number of Conventions are appended to the Treaty (convention of establishment, convention on frontier traffic, convention on railway traffic, etc).

2. Treaty of Commerce with Germany (see above under Germany).

3. Convention of Commerce and Navigation with Norway (see below under Norway).

### Hungary.

There has been no important revision of the tariff.

1. Commercial Agreement with Egypt (exchange of Notes dated February 16th, 1928; came into force on March 14th, 1928. Based on the principle of most-favoured-nation treatment. The agreement may be denounced at any time provided three months' notice is given.

2. Commercial Agreement with Austria (see above under Austria).

3. Commercial Agreement with Czechoslovakia (see above under Czechoslovakia).

### Italy.

Italy has made a few slight changes in her tariff. Most of these are increases in duties required by her currency policy, the object being to restrict imports of luxury articles and of articles which can be obtained in Italy.

1. Treaty of Commerce with Lithuania, signed on September 17th, 1927. Based on the most-favoured-nation clause. Validity, one year. May be denounced at six months' notice.

2. Commercial Agreement with France (see Chapter II, A.z.d).

3. Additional Agreement with Switzerland (see below under Switzerland).

### Latvia.

There has been no important revision of the tariff.

Treaty of Commerce with the Union of Socialist Soviet Republics (see below under Union of Socialist Soviet Republics).

### Lithuania.

There has been no important revision of the tariff.

Treaty of Commerce with Italy (see above under Italy).

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<sup>1</sup> This treatment of dyestuffs was for long the main obstacle to the conclusion of the treaty, which was only brought about as the result of an agreement between the Japanese and German dyestuff manufacturers.

### Norway.

1. In May 1927, a draft law for the revision of the Customs tariff, establishing an increase in practically all duties, was submitted to the Storting for approval. The new tariff was first applied *provisionally* in its entirety as from May 14th, the object being to prevent any speculation in connection with the importation of goods. Later, the Storting made considerable changes in the rates of the duties (July 11th, 1927), especially in the direction of a reduction (more particularly for articles of pure silk and iron and steel, woollen yarn, etc.)

2. As from February 6th, 1928, the *additional gold coefficient* on the duties in the Customs tariff was repealed.

Convention of Commerce and Navigation with Greece, signed June 29th, 1927. Based on the principle of most-favoured-nation treatment, with a few tariff provisions. Period of validity, one year.

### Netherlands.

A question on the revision of the Customs tariff has already been put to the Government in the Second Chamber. A bill which was submitted in November 1927, providing for an 8 per cent to 15 per cent increase in the *ad valorem* duties on pottery, glass, porcelain for household use, etc., for a period of three years, was not passed.

By an exchange of Notes, dated February 1st, 1928, the Netherlands and Turkey granted each other most-favoured-nation treatment for a period of six months as from February 15th.

### Poland.

I. A Decree issued by the Cabinet and dated February 13th, 1928, which came into force on March 15th, *revalorised* the Customs duties, a measure which had been in contemplation for some time past. (As is generally known, the depreciation of the zloty reached 72 per cent and led to a corresponding reduction in the Customs duties and in Customs revenue.)

Commodities were divided into three classes, and a special percentage of increase was imposed on the duties applicable to each:

- (a) Luxury articles (few in number): 72 per cent.
- (b) Food stuffs, raw materials; *all* goods for export: no percentage. The duties are retained at their present rate though expressed in the new currency unit<sup>1</sup>;
- (c) Goods not included in the two foregoing lists (the most numerous): 30 per cent.

II. A Cabinet order, dated February 14th, 1928, which has been in force since March 16th, provided new regulations regarding import prohibitions; several prohibitions were repealed and a number of new ones imposed.

III. An Order of the Minister of Finance (February 1928) amended the laws in force concerning the *maximum* duties applicable to goods from countries which have no commercial agreement with Poland. The most important change in this connection is that the application of these duties may be suspended in the case of countries which have begun negotiations with Poland for the conclusion of a commercial agreement.

- 1. Provisional Agreement with Germany (see above under Germany).
- 2. Commercial Agreement with Switzerland (see below under Switzerland).

<sup>1</sup> Established by the President of the Republic by the Decree of October 13th, 1927, regarding the stabilisation of the zloty.



## Roumania.

At the end of March 1928, the Roumanian Prime Minister furnished certain particulars regarding the draft tariff which is being prepared. It is protectionist in character. A larger measure of protection will be granted to industries capable of supplying the requirements of the country either entirely or to a large extent, and to industries employing native raw material. No protection, however, will be given to parasite industries. Account will also be taken of the requirements of farmers and the interests of consumers in general. Duties will be fixed in relation with the future stabilisation of the lei. It is anticipated that the new tariff will come into force in the autumn.

Commercial Agreement with Spain (see below under Spain).

## Kingdom of the Serbs, Croats and Slovenes.

There has been no important revision of the tariff.

1. Commercial Treaty with Germany (see above under Germany).
2. Treaty of Commerce and Navigation with Greece (see above under Greece).

## Spain.

By a Decree of July 20th, 1927, the "Consejo de la Economia Nacional" was instructed to undertake a revision of the Spanish Customs tariff as from October 1st, 1927. The Decree laid down the basis of the new tariff: the rates are to be calculated on the official estimates for the last three years. There will be a general tariff and a conventional tariff. The latter will be subject to no reduction unless in quite exceptional cases, and will not be applied either wholly or partially except on condition of reciprocity.

The Decree also makes changes in certain existing duties (increases on four tariff items and decreases on 21).

1. Agreement with Roumania, dated May 27th, 1927. Spain undertook not to apply to imports from Roumania the coefficient of increase introduced to counterbalance the depreciation of the currency, and Roumania granted Custom facilities (including tariff reductions on grapes and cork goods).
2. Commercial Convention with Cuba, signed on July 15th, 1927; came into force provisionally on November 5th, 1927, and definitively on January 24th, 1928. Based on the most-favoured-nation clause with tariff clauses, including consolidations of Cuban import duties on certain Spanish goods and facilities for the importation of Cuban tobacco and sugar into Spain.  
Validity, two years. After the expiry of this period the Convention may be denounced at any time provided six months' notice is given.
3. Convention of Commerce and Navigation with Denmark, signed on January 2nd, 1928; came into force provisionally on March 1st. Based on the principle of most-favoured-nation treatment, with tariff clauses (consolidation of the Danish import duty on Spanish table wines).

## Sweden.

In October 1927, the Committee of Experts, which was appointed in 1925 to consider the revision of the Swedish Customs tariff, reported to the Minister of Finance. The experts proposed that the number of tariff items should be reduced from 1,387 to 1,108. They also proposed a number of increases and reductions in duties which, on the balance, would leave matters much as they are. One of the most important changes would be the exemption from duty of chemical products not specified in the tariff, which at present pay a 15 per cent *ad valorem* duty.

The recommendations of the experts will be considered by various bodies before being submitted to the Riksdag.

Treaty of Commerce and Navigation with Turkey, signed on February 4th, 1928; based on the most-favoured-nation clause. Indefinite period of validity; may be denounced subject to three months' notice.

## Switzerland.

The Federal Council adopted (April 12th, 1928) a Federal law increasing the statistical duty, the object being to make good the loss of revenue consequent on the abolition of the corn monopoly.

The Federal Council removed (April 12th, 1928) all prohibitions on the export of goods from Switzerland.

1. Commercial Agreement with Finland, signed on June 4th, 1927; came into force on November 10th, 1927. Based on the principle of the most-favoured nation treatment, with tariff concessions by Switzerland. Intended to remain in force until the conclusion of a definitive treaty between the two Parties. It may be denounced on giving three months' notice.

2. Commercial Agreement with Poland, signed on July 5th, 1927; came into force on October 1st, 1927. It provides for import quotas, into Poland, for a number of Swiss commodities subject to import prohibitions in Poland.

3. Additional Agreement with Italy regulating various disputes to which the application of the Treaty of January 27th, 1923, had given rise. The Agreement also makes a number of changes in the said Treaty. Italy resumed in particular her tariff freedom in regard to engines for motor vehicles, and Switzerland increased the conventional duties on motor vehicles. The Agreement which was signed on September 24th came into force on November 1st, 1927.

4. Commercial Agreement with France (see Chapter II, A.2 (b)).

## Turkey.

No important revision of the tariff.

1. Treaty of Commerce and Navigation with Bulgaria (see above under Bulgaria).
2. Commercial Agreement with the Netherlands (see above under the Netherlands).
3. Treaty of Commerce and Navigation with Sweden (See above under Sweden).

## Union of Socialist Soviet Republics.

Commercial Treaty with Latvia, signed on June 2nd, 1927; came into force on November 5th, 1927. Based on the principle of most-favoured-nation treatment, and containing tariff provisions (reductions in duties affecting 14 items in the Russian tariff and 28 in the Latvian tariff).

Period of validity: five years, renewable for one year, by tacit agreement, subject to six months' previous notice.

## 2. Other Countries.

### Australia.

In 1927, various applications for an increase in duties were considered by the Tariff Board of the Commonwealth. The latter in its annual report declared that there was a mischievous tendency to abuse the protective system. The results of this abuse are an increase in cost prices, the cost of living, wages, etc., and a tendency on the part of industry to shelter itself slothfully behind Customs barriers. In addition, the Tariff Board notes that not only manufacturers, but also producers of raw (agricultural) materials, are asking for increased protection, and that this protection in many cases results in lower output and the survival of obsolete methods of exploitation. The Tariff Board calls upon farmers to consider the position seriously. The Geneva Conference showed that the world is beginning to have more concern with the manner in which the different nationalities are exploiting their natural resources, and to discuss whether a people has the moral right to monopolise and work ill or well, as it pleases, the resources of that portion of the earth over which it for the time being has control.

On November 24th, 1927, a bill containing about 100 tariff modifications was submitted to the House of Representatives. Taken as a whole, these modifications constitute a fairly important increase in the preference granted to British goods.

### Bolivia.

On October 1st, 1927, a new tariff, more uniform and simpler than the old one (the number of items has been reduced), came into force. It increases, however, the duties (25 to 35 per cent) on goods which are imported frequently and in large quantities (sugar, textiles, perfumed soaps, etc.). Moreover, certain very high duties have been reduced, and a reduction or complete exemption has been accorded to raw materials for domestic industry.

### Canada.

A large number of changes in the Customs duties were made on February 17th, 1926. They relate to about 160 tariff items. Several duties were reduced; the preference granted to Great Britain was increased.

Commercial Treaty with Czechoslovakia (see above under Czechoslovakia).

### Cuba.

A new tariff (more detailed than the old one) came into force on October 26th, 1927. It removes or reduces the duties on raw materials, and gives less protection to full grown industries than to more backward branches of production. Generally speaking, the tariff is designed to encourage domestic manufacture and to create strong industries.

Commercial Convention with Spain (see above under Spain).

### Ecuador.

A new tariff, more detailed than the old one (containing 1,215 items as against 467), came into force on July 1st, 1927. It also provides for a general increase in duties.

### Egypt.

Commercial Convention with Hungary (see above under Hungary).

### Japan.

There has been no important revision of the tariff.

1. Treaty of Commerce and Navigation with Germany (see above under Germany).
2. Provisional Commercial Agreement with Bulgaria (see above under Bulgaria).

### New Zealand.

A new tariff came into force on September 14th. The changes are mostly inconsiderable. The principal feature of the new tariff is the increased preference given to British goods. This increase may be reckoned at 5 per cent *ad valorem* in the case of 125 items and 10 per cent *ad valorem* in the case of 60 items.

### United States of America.

(See Chapter II, A.2: Agreement with France.)

### Venezuela.

A new tariff, which does not provide for any considerable change in duties, came into force on July 20th. On the other hand, the nomenclature has been largely changed and simplified (629 items as against 788).

#### IV. COLLECTIVE ACTION UNDER THE AUSPICES OF THE LEAGUE OF NATIONS. WORK AND INITIATIVE OF THE ECONOMIC COMMITTEE.

The progress achieved in the sphere of collective action is due almost entirely to the initiative of the Economic Committee, in regard both to the continuation of investigations begun before the Conference — though the latter gave them a new impetus — and new work undertaken with the definite object of carrying into execution certain of its recommendations.

• While not ignoring the importance of the problems peculiar to industry and agriculture, the Committee considered that it ought to devote its immediate attention mainly to the question of investigating the best means of encouraging the adoption of the commercial policy advocated by the Conference.

Between July 1927 and March 1928, the Economic Committee recorded considerable progress in the study of the questions on which commercial policy is based; it laid a solid foundation for the unification of Customs nomenclature; it framed and sent to the States concerned, with the approval of the Council, a draft convention on the treatment of foreign nationals and companies; during the last Assembly it successfully opened a Convention which will in future ensure the execution of arbitral awards given in a foreign country; it will shortly submit to the Council a carefully considered draft intended to serve as a basis for an international conference on the subject of the assimilation of legislation on bills of exchange. Finally, on the express instructions of the Council, it arranged for the meeting intended to secure the abolition of export prohibitions and duties on hides, skins and bones, and made a beginning with the question of the equitable application of veterinary police measures.

A concise statement on each of these questions is given below. Anyone desiring fuller particulars should consult the special documents which will be mentioned as we proceed.

##### I. COMMERCIAL POLICY<sup>1</sup>.

The main conclusion of the Conference is "that the time has come to put a stop to the growth of Customs tariffs, and to reverse the direction of the movement" by an effort along three different lines: Individual action on the part of States; bilateral action; collective action under the auspices of the League of Nations.

This essential passage in the Conference report necessarily engaged, from the very outset the main attention of the Economic Committee, and as it could not expect to influence the individual action of the various States directly, it turned its attention towards:

- (a) *The placing on a sound basis of treaty-making methods* (including the study of the most-favoured-nation clause), and
- (b) *The possibility of collective action for a concerted lowering of Customs barriers.*

As regards (a), the Committee has not yet reached any definite conclusions. Accordingly, it will be enough to set out here very briefly the main facts of the problem, any attempt to reach conclusions appearing for the moment premature.

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<sup>1</sup> See: (a) Reports by the Economic Committee to the Council on the sessions of December 1927 and March 1928

(b) Report of the International Chamber of Commerce on the development of the policy of the World Economic Conference (document C.C.E.6).

As regards (b), on the other hand, definite tendencies have emerged as a result of the work so far accomplished, and *it is to these tendencies that the Economic Committee specially desires to draw the attention of the Consultative Committee.*

(a) *Treaty-making Methods. — Most-favoured-nation Clause.*

Treaty-making methods are closely related to the particular type of tariff. The level of the non-reducible autonomous tariff cannot be lowered by any negotiation. Generally speaking, the same is true of a minimum tariff which does not allow of reduction. Last of all comes the autonomous tariff which can be reduced to any extent by negotiations.

These three different types are found side by side in various countries. Must a choice be made between them? If so, which type is most likely to conduce to that gradual tariff reduction recommended by the Conference? Theoretically, the third seems the best adapted to attaining the object in view. It leads, through negotiations, to reciprocal concessions regarding the rates of the duties, and is in keeping with the principle laid down by the Conference "*that tariffs though within the sovereign jurisdiction of the separate States, are not a matter of purely domestic interest but greatly influence the trade of the world*".

The first two methods, in that they do not admit of any adjustment being made by means of negotiations, would appear to preclude the possibility of lowering Customs barriers by concerted action.

The Economic Committee, however, considered that it would be a mistake to make a choice on purely theoretical grounds, for the situation would seem to present a wholly different character in practice. An examination of the case of countries which do not provide for a reduction of their tariffs by means of conventions leads us to make a distinction between them, based on their tariff levels. If this distinction is not made, we are liable to put in the same category countries which, though employing the same methods, do so in a wholly different spirit, the result being that, in one case, the method may give extremely generous treatment, and in another lead to a highly protectionist system.

So long as these countries only impose low tariff duties, and accordingly do not in any way hamper the trade of other countries, the question of method does not arise.

Moreover, the Committee reached the conclusion that even the most flexible method, *i.e.*, that which allows of the reduction of tariff rates to any extent by means of successive negotiations, may fail to attain the essential object contemplated by the Conference, and may even lead to an increase in the duties, if an excessive margin for bargaining is retained when framing the tariff.

The Economic Committee holds that the considerations briefly set out above, the importance of which is obvious, make the utmost caution necessary before reaching final conclusions.

A similar though less serious difficulty was experienced by the Committee on beginning its investigations into the *most-favoured-nation clause*. The Committee is unanimously of opinion that the granting of this treatment, in its completest form, should henceforward be regarded as the rule in commercial relations between States. It is confirmed in its opinion by the increasing extent to which this clause is being employed.

But in this case also, there are two theoretical conceptions. The first is that the clause is mainly a weapon intended to ensure equality of treatment and to prevent discrimination; each State has an *a priori* right to be given this guarantee.

On the other hand, the experts of certain countries also regard the clause as a useful device for securing the progressive reduction of tariff rates. They consider that it differs essentially in substance according as the country which claims the right to benefit by it imposes a high or a liberal tariff and according as it is or is not prepared to reduce that tariff by negotiations.

A similar problem arises when we come to decide whether the advantages granted to each other by a number of countries, as a result of a collective convention open to all States desiring to accede to it, must necessarily be extended to a third country, to which some of their number are bound by a treaty providing for most-favoured-nation treatment.

While the right of the third State can hardly be contested from a purely legal point of view, it is beyond dispute that we are faced here with a new situation, to which also the Economic Committee desires to give the fullest consideration.

Further the Committee in the course of its forthcoming sessions will deal with the problem of an exact delimitation of the spheres to which it would appear desirable to extend most-favoured-nation treatment, an accurate definition of the exceptions which might be made to the principle, and a selection of the forms of the clause best worded to ensure these different objects. It will accordingly be advisable to wait for the results of this work.

#### (b) *Collective and Concerted Action for the Lowering of Tariffs.*

In accordance with a report submitted by two of its members, the Committee thoroughly examined the two methods which have recently been engaging public attention, *i.e.*, the "maximum limit", and *gradual reduction by percentages* applied to the tariff as a whole.

As is generally known, the first method consists of an undertaking by States not to impose duties exceeding a given maximum; the second consists of an undertaking by the countries concerned to effect reductions, within stated periods, applying without distinction to all sections of their tariffs and taking the form of percentages of the duty leviable in each section.

The Committee considered that these two methods, notwithstanding certain indisputable advantages, did not appear practicable for the present. It devoted its attention, on the contrary, to a *third method, which consists in attempting to reduce by collective negotiations the duties on certain classes of products* which play a specially important part in international trade or which, by reason of their special character, appear to lend themselves readily to this method.

The Economic Committee was encouraged to take this course by the results of the meeting which dealt with export prohibitions and duties on raw hides and skins, and on bones. As will be shown later, the delegates present at this meeting succeeded in reaching agreement on the complete abolition of export duties on raw hides and skins, and fixing a maximum export duty on bones.

Moreover, the Committee received suggestions which justified it in the belief that the idea of trying this method in the case of other classes of goods would be favourably considered in the circles concerned. It is aware that reference was made to aluminium, semi-manufactured iron products, log wood and sawn wood (export and import duties), and a number of other commodities. Moreover, it is not impossible that, as was the case in regard to raw hides and skins and bones, the mere development of the work connected with the entry into force of the Convention on prohibitions will bring out clearly the advisability of a collective discussion on certain clearly defined commodities.

*In any case, the Economic Committee is inclined to give preference, as regards concerted action, to efforts made in connection with certain specified classes of commodities, and it desires to state explicitly that it attaches the greatest importance to hearing the Consultative Committee's opinion on this question.*

2. CONVENTION FOR THE ABOLITION OF IMPORT AND EXPORT PROHIBITIONS AND RESTRICTIONS<sup>1</sup>.

When the World Economic Conference met at Geneva, the Members of the League of Nations and non-Member States had already been asked to take part, in the following October, at a Conference intended to frame the above Convention.

The Economic Conference expressed its views on the subject and affirmed in the most emphatic manner the necessity of putting an end to all measures of prohibition and restriction. It stated that it was important for the "*recovery and future development of world trade that the Governments should forthwith abandon an economic policy which is injurious to the interests of their own and other nations*".

These emphatic pronouncements by the World Economic Conference indisputably influenced the course of the extremely laborious discussions which finally led to the framing of the Convention reproduced in document C.559.M.201.1927.II.

This plurilateral treaty is extremely simple. It consists essentially of three main articles. Under the central article (Article 2), States undertake to abolish all import and export prohibitions and restrictions within a period of six months from the date of the coming into force of the Convention. Article 4 permits States to retain prohibitions or restrictions which, on grounds other or more imperative than economic grounds, may be regarded as indispensable. The third article (Article 5) allows of resort to measures of restriction under genuinely extraordinary or abnormal circumstances.

These three articles taken alone would have made an ideal convention, and would have entirely satisfied the requirements of the Economic Conference. Nevertheless, having regard to situations of fact or of law existing in certain countries, which could not for the present be modified, the Convention (Article 6) had to provide for temporary exceptions as regards certain specified products, which the countries concerned undertake to withdraw as soon as the circumstances from which they arise cease to exist.

Among the main products in regard to which certain countries thus temporarily retain the right to apply import or export prohibitions are *colouring matter, scrap iron and scrap of other metals, coal, etc.*

Having regard to the capital importance of these products, the exceptions relating thereto would seriously have affected the value of the Convention if the undertaking assumed by the States concerned to *withdraw them as soon as the circumstances from which they arose ceased to exist*, had not been strengthened by a provision (Article 18, paragraph 3) allowing any Contracting Party, on the termination of three years from the date of the Convention, to resume its freedom of action as regards prohibitions, "*if any one of the exceptions allowed in virtue of Article 6, paragraph 1, still exists*".

Apart from the exceptions thus agreed to and recorded in the Annex to the Convention the signatory States were free to submit other applications for exceptions before February 1st, 1928.

It was understood (Article 17) that a new Conference, which the Council has decided should meet on July 3rd next, will examine all applications thus submitted, and fix the conditions required (minimum number and names of countries whose accession is regarded as indispensable), together with the last date for the ratification of the Convention.

In a brief outline such as this, it would appear unnecessary to dwell at length on the other provisions of this Convention. The text is available, and the Protocol annexed to it gives all information required for its correct interpretation.

<sup>1</sup> See documents C.559.M.201.1927.II (Text of the Convention); C.I.A.P.23 and Addendum (Exceptions claimed); C.C.E. 6 (Report of the International Chamber of Commerce).

The Conference for the Abolition of Prohibitions was the first attempt to negotiate, under the auspices of the League of Nations and between a large number of countries, a plurilateral commercial treaty. This treaty calls for important sacrifices on the part of each of the Contracting Parties, but it gives them in return the advantages of a liberal system applicable simultaneously to a large number of States.

*The Convention has so far been signed by the following countries:*

Austria	Great Britain and	Poland
Belgium	Northern Ireland	Portugal
Bulgaria	Hungary	Roumania
Czechoslovakia	India	Kingdom of the Serbs, Croats and Slovenes
Denmark	Italy	Siam
Egypt	Japan	Sweden
Estonia	Latvia	Switzerland
Finland	Luxemburg	United States of America
France	Netherlands	
Germany	Norway	

There is reason to believe that the claims for exceptions submitted by February 1st<sup>1</sup>, though fairly numerous in the case of certain countries, may be settled either at the Conference on July 3rd or in subsequent negotiations as to the Customs regime applied to the products to which they relate, as was the case in connection with export prohibitions on raw hides and skins and bones.

### 3. MEETING OF GOVERNMENT DELEGATES IN CONNECTION WITH EXPORT PROHIBITIONS AND DUTIES ON RAW HIDES AND SKINS AND BONES<sup>2</sup>.

At the Conference referred to in the previous section a number of countries intimated their intention to retain export prohibitions in regard to the products indicated above, and for this purpose to submit an application for an exception under Article 6, paragraph 1, of the Convention.

From the discussion which took place on the matter, it appeared that various States thought that the abolition of the export prohibition would not in itself suffice to ensure the advantages anticipated, so long as States were free to apply to these products *export duties* which might reach a level rendering them equivalent to a prohibition.

In addition, certain countries which had not applied export duties in the past might be led to do so on having to abandon the system of prohibitions.

In view of these considerations, the Conference decided to recommend (No. 3 of the Final Act) that the countries in which export prohibitions are applied to raw hides and skins and to bones should endeavour to reach a preliminary agreement on these allied questions, whereby they could simultaneously renounce all applications for exceptions in this connection.

The Economic Committee, which had been instructed by the Council to deal with the recommendation in question, suggested the summoning of a meeting of the States more directly concerned in this problem.

<sup>1</sup> See document C.I.A.P.23.

<sup>2</sup> See document C.149.M.39.1928.II (Text of Protocols drawn up at the meeting).



The Governments of the following countries were asked to take part in this meeting and to send authorised representatives: Austria, Belgium, Czechoslovakia, Denmark, France, Germany, Greece, Hungary, India, the Netherlands, Poland, Roumania and the Kingdom of the Serbs, Croats and Slovenes.

The Council requested M. Serruys, Chairman of the Economic Committee, to preside over this meeting. All the countries invited were represented, with the exception of Greece and India.

*The meeting took place at Geneva from March 14th to 16th and resulted in the framing of the two Protocols given in document C.149.M.224.1927.II. The Protocols are preceded by a report to the Council from the Chairman of the meeting.*

As regards *raw hides and skins*, it was agreed that the delegates should recommend their respective Governments:

(a) To undertake not to render the export of fresh or prepared hides, skins or pelts, subject to any prohibition or restriction, under whatever form or denomination, and accordingly to renounce in respect of these products all claims to exceptions under Article 6 of the International Convention of November 8th, 1927;

(b) Similarly to undertake not to maintain or establish, on fresh or prepared hides and skins or pelts, any export duty or any charge — except a statistical fee — which under their respective laws would not be applicable to all commercial transactions in respect of these products.

We are therefore entitled to say that the meeting, *having recognised the relationship between the prohibitions and export duties applied to raw hides, has reached the best possible result, and at the same time given full effect to the recommendations of the Conference.*

The Protocol on raw hides and skins has so far been signed by the representatives of the following countries: Austria, Belgium, Czechoslovakia, Denmark, France, Germany, Hungary, Italy, the Netherlands, Poland, Roumania and the Kingdom of the Serbs, Croats and Slovenes.

As regards the *regime applied to bones*<sup>1</sup>, an equally satisfactory result was reached in regard to prohibitions. The delegates recommend their respective Governments to undertake not to render the export of these commodities subject to any prohibition or restriction under whatever form or denomination.

It would obviously have been desirable, in this case also, to abolish *export duties* at the same time; but the meeting had to recognise that, in view of the special nature of the products in question and the situation of certain countries, a period of transition had to be allowed for before these duties could be entirely abolished.

Under these circumstances, it was agreed that, though export duties might be retained or established on the products referred to, *they were not to exceed three gold francs per 100 kilogrammes*, and were to be levied only for a period of two years from the date on which, in virtue of Article 2 of the Convention of November 8th, 1927, export prohibitions are no longer to be applied.

During the last six months of the period referred to above, the Contracting States undertake to *hold a further meeting with a view to joint action for the purpose of abolishing all export duties or reducing the maximum rate indicated above.*

The Protocol regarding the export of bones was signed by the representatives of the following countries: Austria, Belgium, Czechoslovakia, Denmark (*ad referendum*), France, Germany, Hungary, Italy (*ad referendum*) and the Netherlands.

The delegates, assembled at Geneva, made a point of annexing to the two Protocols a *Declaration* emphasising the importance they attach to the principle laid down in

<sup>1</sup> Raw or dried bones and waste thereof, horns and hoofs and waste thereof, and glue-stock hide.

the Final Act of the International Conference for the Abolition of Prohibitions, in virtue of which the *re-establishment of free export of certain specified raw materials should bring about an improvement of the Customs regime applied to the import of products manufactured from such raw materials.*

The two Agreements regarding raw hides and skins and bones, if considered in the light of the resolutions of the World Economic Conference, possess an importance exceeding that of the special questions they are intended to regulate.

Once in force, they will constitute an extremely important precedent *for the development of that policy of collective agreements which the Conference advocated, and which the Assembly, in its turn, expressly recommended.*

• *Moreover, these Agreements obviously represent a partial application of the Conference's recommendations regarding export duties and the free movement of raw material.*

#### 4. UNIFICATION OF CUSTOMS NOMENCLATURE <sup>1</sup>.

The extensive ground covered by the recommendation adopted by the World Economic Conference in regard to Customs nomenclature, and the preciseness of its terms, are proof of the great importance which the Conference attached to the progressive settlement of this problem.

Accordingly, as early as July 1927, at an extraordinary session, the Economic Committee decided, on the basis of certain suggestions put before it by two of its members, to summon without delay a very small Committee of highly qualified experts to consider primarily the various criteria which could be applied in drawing up a general framework for a tariff, and to formulate suggestions as to the subsequent stages of this work. From the outset the Committee made it clear that it was keeping in view the necessity of securing the assistance, in its enquiries, of the economic circles concerned, as, indeed, the Conference had recommended. The most important step, however, was to appoint technical experts to clear the ground and mark out the way to be followed, by preparatory work which could later be used as a basis for the consultation referred to above.

Thanks to the great ability and zeal which it displayed, the Committee of experts was able, within a comparatively short time, to provide the Economic Committee not only with the general framework but also with a detailed and reasoned classification of all the goods which should be included in the scheme and its various sections. This classification, accompanied by detailed commentaries, *is embodied in document E.350(1).*

The Economic Committee instructed the Secretariat to send the draft prepared by the experts to all the circles interested and thus obtain all useful criticisms and observations.

The Committee, in carrying out its enquiries and its consultation, desired to make it clear that a common solution ought as far as possible to be found for cognate questions relating to *Customs clearance regulations*, in order to avoid the application of divergent rules, which might undo all the work accomplished in compiling a collective classification.

The Committee of Experts is now engaged in completing its analysis of the observations received, and in studying the different methods of Customs clearance applied in a large number of countries, particularly as regards certain difficult questions *such as the clearance of composite goods.* When once this work has been concluded the Committee can proceed to draw up certain categories in detail in the actual form of a Customs nomenclature.

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<sup>1</sup> See documents E.350(1): Draft Framework of a Customs Nomenclature; and C.C.E.6: Report of the International Chamber of Commerce.

Clearly it is in this second stage—that is to say, when the Economic Committee attempts, with the help of these experts, to prepare models, even though incomplete, of Customs nomenclature—that it must try to keep in view the *necessity of simplification*, to which the Conference attached special importance.

## 5. TREATMENT OF FOREIGN NATIONALS AND COMPANIES. <sup>1</sup>

The Economic Committee had been occupied with this question for a long time before the Conference, and had drawn up two series of recommendations, the result of careful study, which the Council transmitted to the States Members of the League with the proposal that they should be adhered to. <sup>2</sup>

Such was the position when the Economic Conference, having before it a valuable report from the International Chamber of Commerce, and being convinced that the time had come to take definite steps, decided to ask the League to make preparations without delay for the holding of a diplomatic conference to draw up an international convention. <sup>3</sup>

In compliance with this request, the Economic Committee, with the assistance of a representative of the International Chamber of Commerce, prepared with great care a draft Convention, accompanied by extensive comments. This draft <sup>4</sup> has been communicated to all the Governments of the States Members of the League, who have been asked whether they consider that it can be taken as a basis for discussion with a view to an international convention, and have been invited to take part in the diplomatic conference which it is suggested should be held next year.

Leaving aside deliberately the question of the admission of aliens, the draft, while dealing principally with the conditions for the establishment of foreign nationals or companies, also seeks to secure the *necessary safeguards for the trade* of nationals of the contracting parties who, though not established in the territory of a country, wish to conduct business or invest capital therein.

The draft is also designed to secure for such persons and companies complete equality as regards *taxation*, both normal and exceptional. It likewise provides safeguards against double taxation <sup>5</sup>.

These safeguards are *additional to the usual civil and judicial safeguards, to the right to carry on an industry, trade or profession, and to the right to acquire ownership in movable or immovable property*, which form the usual basis of "establishment" conventions.

In preparing the draft, the Economic Committee naturally consulted existing treaties and conventions. *It has nevertheless needed considerable compilatory work to establish an international statute representing an appreciable advance on the present position and satisfying to a great extent the desiderata of the Conference.*

The Committee is well aware that certain of the clauses in its draft are not in harmony with the existing legislation of some countries; but it hopes that these countries may be so far anxious to secure the benefits conferred by these collective treaties as to be prepared to accept the liberal view supported by the Conference.

<sup>1</sup> See also document C.C.E.6 (Report by the International Chamber of Commerce).

<sup>2</sup> These recommendations are reproduced *in extenso* on pages 24, 25 and 26 of document C.E.I.41. Their object is to secure for aliens equal treatment with nationals both as regards taxation and rights of ownership, and as regards the exercise of professions, industries and other forms of economic activity.

<sup>3</sup> See the preamble and recommendations of the Conference on page 22 of its Final Report (document C.E.I.44(1)).

<sup>4</sup> See document C.174.M.53.1928.II.

<sup>5</sup> These safeguards are being specially studied by the League (see document C.216.M.85.1927.II).

## 6. DIPLOMATIC CONFERENCE ON ECONOMIC STATISTICS.<sup>1</sup>

The World Economic Conference laid down certain guiding principles in the matter of trade statistics, and also passed detailed resolutions regarding the compilation of industrial statistics. The Secretariat desires to draw the attention of the Consultative Committee to the diplomatic conference which is to be held in November next. The subject of this Conference is not confined to commercial and industrial statistics; it has a wider scope.

• Its agenda, which has been prepared by the Economic Committee with the help of competent experts, is divided into two parts. The first part aims at defining all the classes of economic statistics which should normally be compiled; which amounts to saying that the Conference will have to determine what are the various branches of economic activity for which statistics should normally and regularly be established and published. The second part of the Conference's proceedings will be devoted to determining logical, and if possible universal, methods to be followed in future in the compilation of certain classes of economic statistics.

The agenda and the preparatory documents for this Conference are to be found in *document C.S.O.I.*, which, with the Council's approval, has already been forwarded to the States concerned, together with an invitation to attend the Conference.

It is hoped that the Conference will succeed in reaching an agreement whereby the various Governments will undertake to compile and publish certain classes of economic statistics within a specified time-limit and in accordance with certain methods to be worked out by the Conference itself. The Economic Committee proposes to consider at its next session the advisability of preparing a preliminary draft international convention to embody in the form of a diplomatic instrument the matters on which the delegates of the participating countries may agree.

\* \* \*

*Taken together, the holding of this Conference, the work for the unification of Customs nomenclature, and the investigations in regard to industrial statistics, represent a systematic attempt to secure on an international basis, both for production and for trade, a common terminology and classification which in turn will allow of properly comparable figures being obtained.*

## 7. BILLS OF EXCHANGE AND CHEQUES.

The Hague Conference of 1912 drew up a Convention and Uniform Regulations, which were signed by some thirty States, but have never come into force.

In 1920, the Brussels Financial Conference drew the League's attention to the importance of the unification of legislation on bills of exchange, promissory notes and cheques.

The Economic Committee applied in 1922 for expert opinion on the desirability of initiating fresh international action, but was forced to realise that it was impossible to achieve a complete unification of what may be called the Anglo-Saxon and Continental systems, although it seemed possible to assimilate the laws in the latter group. The moment, however, did not seem favourable.

<sup>1</sup> See document C.S.O.I (Preparatory Documents for the Conference).

Meanwhile, the International Chamber of Commerce had actively taken up the same question, and the outcome of its work was the production in 1927 of a twofold draft containing uniform regulations based on the work of the Hague Conference and relating to bills of exchange and promissory notes on the one hand and cheques on the other.

In 1926, the Economic Committee resumed its previous studies and appointed a small committee of experts to ascertain the main practical everyday difficulties encountered by persons who in the course of their work are constantly using bills of exchange and cheques.

Being thus convinced of the necessity of finding a remedy for these difficulties, the Committee applied to a fresh body of expert jurists and asked it to submit definite proposals.

*The work of these experts has just been completed<sup>1</sup>, and, when it has been examined and approved by the Economic Committee at its next session, it may be sent to the States concerned in order that their opinion may be obtained on the draft and that they may be invited to take part in a new international conference.*

This document contains draft conventions on bills of exchange, promissory notes and cheques.

One of the principal reasons preventing the entry into force of the Hague Convention lay in the fact that its regulations consisted of an extremely detailed body of provisions divided into a very large number of articles, which the various Parliaments had to accept or reject *en bloc* without amendment.

The experts of the Economic Committee propose a different method.

Their draft is an attempt to give concrete and contractual form to certain common fundamental principles, which would form the body of the two international conventions proposed. Provided they adhere to these principles, the contracting States will be free to apply them in the manner most suited to their own principles of law.

On certain points the experts could not see any possibility of general agreement. Their draft leaves States free to legislate as they please on these particular points. Accordingly, *conflicts of laws* might arise, even among the States adhering to the proposed conventions, in regard to the points lying outside these regulations.

In order to guard against the inconveniences of such a situation, the experts have put forward two other draft conventions, one relating to bills of exchange and the other to cheques, providing suitable solutions for any conflicts of laws which may arise regarding points not regulated by the main conventions.

The seriousness of the existing situation is well known: in the absence of any common principles, the Courts of different countries often pass contradictory judgments. It may be observed that even States not parties to the proposed conventions might consider it to their advantage to become contracting parties to the agreements relating particularly to conflicts of laws.

## 8. COMMERCIAL ARBITRATION.

Under the terms of the Protocol of September 24th, 1923,<sup>2</sup> the acceding States undertake to recognise the validity of arbitration clauses (*clauses compromissoires*) concluded between parties subject to the jurisdiction of different States, even if such arbitration has to take place in a country other than that to whose jurisdiction the parties are subject.

<sup>1</sup> See document C.175.M.54.1928.II.

<sup>2</sup> Document A.83.1923.II and Annex.

The undertaking thus entered into obliges States to ensure the execution of arbitral awards given in their territory; and, further, when asked to deal with a dispute relating to a contract containing an arbitration clause, their courts must refer the parties to the decision of arbitrators.

This Protocol, although at present *in force among fifteen countries*<sup>1</sup>, seemed likely to remain comparatively ineffective as a result of a serious omission: it did not provide for the enforcement in one contracting country of an arbitral award *given in another contracting country*. For that reason a number of States did not sign or ratify it.

The Economic Committee, finding that recourse to arbitration for the settlement more especially of trade disputes between persons of different nationalities was becoming more and more frequent, pointed out to the Council the necessity of supplying this omission as soon as possible. The draft prepared by the Economic Committee, with the help of qualified experts, was again examined and partly modified by a committee of distinguished jurists during the Assembly of 1927, and as a result the Assembly was able, on September 23rd, to open for the signature of States the "*Convention on the Execution of Foreign Arbitral Awards*"<sup>2</sup>.

Desiring, however, to link up the new Convention with the Protocol of 1923, the Assembly decided that only States parties to the Protocol could become parties to the Convention.

The object of the Convention is to ensure the recognition of an arbitral award and to *secure assent to the execution of such an award in any one of the contracting countries when it has been in the territory of any other contracting party*.

As this is an international undertaking open to all States, the conditions which may be postulated by the courts before executing a foreign arbitral award had to be stated with particular explicitness. These conditions are, indeed, general in character. They give every guarantee as regards the conditions under which the award was rendered and as regards the strict enforcement of the contract; they enable the definitive character of the award to be ascertained; and they ensure that the enforcement of the award requested will not be contrary to the public policy or to the principles of the law of the country in which it is sought to be relied upon.

The Convention contains a number of other important supplementary guarantees, and leaves untouched any benefits arising out of the application of such more favourable laws or treaties as may exist in the country where the enforcement of the sentence is requested.

So far the Convention has been signed by Austria, Belgium, Denmark, Great Britain, France and Italy.

In December 1927, the Council of the League expressly drew the attention of States to the usefulness of the Protocol and Convention, and to the terms on which they might become parties to these agreements.

*The new Convention offers the States parties to the Protocol of 1923 the surest means of preventing their nationals from being placed in a position of inferiority when they are endeavouring to obtain the execution of an award given in their favour abroad.* In view of this consideration it may be hoped that the number of signatures to the new Convention will soon be increased.

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<sup>1</sup> Albania  
Austria  
Belgium  
British Empire (Great Britain  
and Northern Ireland)  
Denmark

Finland  
Germany  
Greece  
Italy  
Monaco  
Netherlands

New Zealand  
Norway  
Roumania  
Spain

<sup>2</sup> See document C.659.M.220.1927.II.

## INDUSTRY AND AGRICULTURE.

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Some of the recommendations of the Economic Conference regarding industry and agriculture have not been followed up by action of any kind, as is obvious from the proportions of the present report.

Apart, indeed, from the work connected with the campaign against diseases of animals and plants, the work on industrial statistics, current publications of the League of Nations and investigations undertaken by the International Labour Office, both the Economic Committee and the Secretariat have had to concentrate their attention mainly on the resolutions directly relating to international trade.

*The Secretariat feels bound to draw the Consultative Committee's attention to this situation, in case the latter should desire to make any general suggestions designed to give an impetus to the execution of the recommendations regarding industry and agriculture also.*

### V. INDUSTRY.

#### (a) Rationalisation.

In this field the World Economic Conference merely instructed the Economic Organisation of the League to "*keep in touch with the institutions specially concerned with this subject and include a note of its development in its reports on industrial conditions*".

The essentially technical nature of this subject and the necessity of adapting the work done to the particular conditions of each industry and the economic structure of the various countries render it a primary essential that progress shall be made in the individual States.

Some of the Conference's recommendations on the subject, however, contemplate international action. Thus mention is made of "the urgent need of greater, more far-reaching and better co-ordinated efforts in this field", and the Conference advocated in particular the study and application of measures calculated to ensure the benefits of rationalisation on an international basis in the different domains to which it applies. In this respect great benefit should be derived from the co-ordination of the study of various rationalisation problems by an international centre.

The Economic Section of the League is not equipped for this task. Further, the *International Scientific Management Institute* at Geneva is largely concerned with the study of the very questions which, according to the Conference's recommendation, should be taken up on an international scale.

The Council of the League left the Bureau of the Consultative Committee to arrange for co-operation with the Institute. *On the basis of this resolution the Institute has already submitted to the Consultative Committee a memorandum dealing with certain international aspects of rationalisation. This document has been circulated to the members of the Committee.*<sup>1</sup>

It would seem desirable for the Consultative Committee to consider how far the work of the Institute can be used for the application of the Economic Conference's recommendations regarding the study of rationalisation in the international field.

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<sup>1</sup> See document C.C.E.3.

(b) *International Industrial Agreements.*

The Conference expressed the opinion:

" That the League of Nations should closely follow these forms of international industrial co-operation and their effects upon technical progress, the development of production, conditions of labour, the situation as regards supplies, and the movement of prices, seeking in this connection the collaboration of the various Governments. It should collect the relevant data with a view to publishing from time to time such information as may be of general interest. "

The introduction to the present chapter states the reasons which prevented the Economic Committee from giving effect to this recommendation. Moreover, there still appears to be some uncertainty as regards the methods to be followed in order to carry out the Conference's wishes in a satisfactory manner.

In these circumstances it would be desirable that the Committee should lay down clearer guiding principles.

It should be observed that the International Labour Office, taking into account the connection existing between rationalisation or industrial agreements on the one hand, and labour and living conditions among the workers on the other, has instituted two enquiries into the effects of these two movements on the position of the workers. Both works will be ready in a year's time.

(c) *Industrial Statistics.*<sup>1</sup>

The Conference, having emphasised the importance it attached to the development of information and statistics regarding production, recommended that the Economic Organisation of the League of Nations should take all suitable measures to induce Governments, in collaboration with the chief industries, to arrive at international agreements with reference to the definition of the terms, the methods employed, and the scope of industrial statistics.

Last December, when the Economic Committee was considering how to put this recommendation into effect, it had before it a proposal from the President of the International Chamber of Commerce.

This organisation, with the help of its numerous National Committees, offered to form for any selected industries, jointly with the Committee for the Unification of Customs Nomenclature, special committees to determine the terms, scope and most suitable methods for compiling statistics of the various industries. This work was to be carried on in close touch with the Economic Committee, its Secretariat, and the Committee of Experts on Customs Nomenclature.

The Economic Committee concluded that advantage should be taken of this valuable proposal, and its Chairman, M. Serruys, with M. Fighiera, Chairman of the Committee of Experts on Nomenclature, and certain members of the Secretariat, attended several meetings of the "Industrial Statistics Committee" of the International Chamber of Commerce, presided over by M. Olivetti. This Committee had previously made enquiries of the National Committees of the Chamber of Commerce as to whether statistics already existed in various countries for certain branches of production, and whether it was thought possible and desirable to compile statistics for those industries which did not as yet possess them.

<sup>1</sup> See also the chapter on the Diplomatic Conference on Economic Statistics and document C.C.E.6. (Report by the International Chamber of Commerce).



These various discussions and consultations eventually produced the following conclusions:

For *coal, coke and lignite* there are statistics in many countries, both producing and non-producing. The Committee expressed the opinion that an attempt might be made to standardise the methods employed in compiling these statistics, and that special committees of experts might be set up to deal with these three commodities. Similar decisions were reached in regard to *iron ore, cast-iron and steel goods, shipbuilding, and wood-pulp for paper-making*.

Difficulties were encountered, however, in connection with the compilation of statistics for artificial silk, certain half-finished metallurgical products, chemical manures, motor-cars and rubber tyres. It is proposed to continue the discussions on these points. •

As regards the principal textiles—*cotton, wool, and silk*—the international federations of those industries are already engaged in compiling statistics on standardised lines. It was therefore thought best to establish close relations with these international federations through small committees of the International Chamber of Commerce.

Before concluding this chapter on industrial questions, mention must be made of the fact that the International Labour Office has, in accordance with the Conference's recommendation, completed an exhaustive study of "*Conditions of Labour (Hours of Work and Wages) in the Coal Mines of the Principal Coal-Producing Countries of Europe*". This ample memorandum, which contains numerous tables and diagrams, is published in French and English, and has been circulated to the Members of the Consultative Committee.

The International Labour Office is also pushing forward its enquiries into the causes and remedies for unemployment. It will present a new, very detailed and thorough study of this subject at the 1929 session of the International Labour Conference.

## VI. AGRICULTURE.

### (a) *Execution of the Recommendations of the Conference.*

Apart from the work on veterinary police measures, to which reference is made below, no steps have been taken by the Economic Organisation of the League or by the Secretariat to put these recommendations into effect.

All the international activity which has taken place in this field during the past year is due to other organisations, particularly the International Institute of Agriculture. This body is presenting a report on the subject<sup>1</sup>, from which it appears that its work has covered a great many of the matters dealt with by the Conference.

Mention must also be made of the activity displayed by other international organisations; such as the International Agricultural Commission and the International Co-operative Alliance.

In view of this situation, the Consultative Committee will perhaps think it desirable to consider what methods for the future are best calculated to enable the Conference's recommendations on the subject of Agriculture to be put more completely into effect.

### (b) *Prevention of Disease in Animals and Plants. Veterinary. Police Measures and Measures of Control interfering with the Exportation of Animals and Plants.*

Under Article 4, paragraph 4, of the Convention for the Abolition of Prohibitions, the contracting States reserve freedom to impose prohibitions or restrictions for the protection of animals or plants against disease, insects and harmful parasites.

<sup>1</sup> See the Report of the International Institute of Agriculture on Agriculture and the Results of the World Economic Conference.

It was not without difficulty that the representatives of certain agricultural countries which export cattle brought themselves to sign a Convention which, by incorporating the reservation quoted above, seems to confirm and sanction a situation that they regard as far from satisfactory.

There is no need to remind the reader that complaints have been made by those interested with regard to the severity with which certain countries enforce their veterinary measures at the time of importation. This severity is not always, in their view, entirely justified by health requirements; they hold that it is in many cases a disguised method of excluding or limiting imports.

It is quite true that the preamble to Article 4 provides that these prohibitions must not be applied in such a manner as to constitute a disguised restriction on international trade; but even this specific condition is not sufficient to allay long-standing apprehensions.

The contracting States cannot be deprived of their freedom to defend themselves against epidemics by every means in their power. At the same time, it seems only fair and desirable that the complaints of countries, which consider themselves prejudiced by excessive measures of this kind, should receive consideration.

This was the situation that led to the introduction into the Final Act of the Conference of the first paragraph, recommending the Council of the League of Nations to take all useful preparatory measures in order to make it possible, sooner or later, to propose to the various Governments joint action that would be effective against the evils to be combated and would at the same time have due regard to the legitimate interests of international trade.

The Economic Committee, having been instructed by the Council to seek the best method of carrying this recommendation of the Conference into effect, decided that, before contemplating any international action, it was advisable to define accurately the possibilities and the scope of such action. The Economic Committee was so thoroughly convinced of the importance of the problem, and had so clear a recollection of the serious conflicts to which it had given rise in the still recent past, that it could not but realise that, when the League undertook to remedy the situation, the utmost circumspection was necessary.

Accordingly, it postponed its enquiries in regard to plant diseases to a later date, and began by summoning a small Committee of Experts of recognised authority belonging to countries whose policies in this matter are different and frequently opposed; to this Committee it also appointed an authorised representative of the International Epizootic Institute at Paris.

The duty assigned to this Committee is to examine the safeguards that might be given by cattle-exporting countries, and the facilities that might be granted by importing countries on the basis of those safeguards, and in general to determine the best means of applying veterinary police measures with due regard to the economic interests of the exporting countries and at the same time without prejudicing the interests of countries wishing to guard against animal diseases.

After an exhaustive discussion, the experts laid it down as a general preliminary condition for any international action to facilitate trade *that confidence must be established between importing and exporting countries. This confidence can only be founded on the existence in each country of veterinary services on a proper basis, and on the regular and speedy publication of accurate particulars of the health situation in exporting countries.*

In preparation for the discussions on these two points at a later session, each expert undertook to produce for his own country a report drawn up with reference to a detailed questionnaire prepared by the Committee. Similar reports will also be procured by the Secretariat from a considerable number of other countries.

At the next session, which it is proposed to hold in June, the experts will be able, with the help of this information, to compare the organisation of the services in different

countries, and this comparison is bound to prove instructive. As the outcome of these discussions and of other suitable measures which the experts propose to consider, it is to be hoped that, wherever it seems necessary, this organisation may be raised to a level generally recognised as adequate to provide the necessary safeguards.

Confidence having thus been restored, exporting and importing countries also will be able to consider jointly what measures should be taken by the importing countries to facilitate the importation of livestock.

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The Economic Committee proposes to appoint a Committee of Experts, and with its assistance to undertake similar enquiries in connection with the *prevention of diseases of plants* and the possibility of reconciling the necessity for a campaign for this purpose with the legitimate requirements of the export trade.

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## GENERAL QUESTIONS.

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### VII. GENERAL RESOLUTIONS OF THE CONFERENCE.

It will be remembered that the Economic Conference adopted certain general resolutions referring to the necessity of enlightening the public, by publicity and progressive education, with regard to expenditure on armaments, peaceful commercial co-operation among all nations, and the economic organisation of the League.

Regarding economic tendencies likely to influence the peace of the world, the Conference adopted the following resolution:

“ The Conference:

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

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

The Consultative Committee will perhaps think it well to devote its attention to this resolution and to consider how appropriate action could be taken to put it into effect.

### VIII. INITIATIVES AND WORK OF THE INTERNATIONAL CHAMBER OF COMMERCE. — OTHER INTERNATIONAL ACTION.

#### I. INTERNATIONAL CHAMBER OF COMMERCE.

The Fourth Congress of the International Chamber of Commerce was held barely a month after the Economic Conference. Thus it was the first international organisation to have an opportunity of stating the views of commercial and industrial circles on the principles laid down in the Final Report. These principles were discussed at length by the Stockholm Congress, which unanimously accepted them in the following terms:

“ The Congress also desires to place on record its emphatic approval of the spirit which animates the report of the Economic Conference and considers that its principles and recommendations should receive the support not merely of the international world of business as represented at this Congress but also of the Governments of all nations.”

With regard to the application of the Geneva resolutions:

"The Congress feels very strongly that the work of the Economic Conference depends for successful results on the execution of the principles laid down and approved by delegates from fifty nations.

"To this end the Congress hopes that definite steps will be taken by the Council of the League at the earliest possible moment, and in the organisation of this work the League may rely upon the continued willing services of the International Chamber which pledges itself again to the most active co-operation in all these endeavours to improve the economic situation of the world and of Europe in particular."

Having thus asserted its desire to co-operate, the Congress then appeals to all members of the International Chamber of Commerce and to its National Committees to assist in bringing about as speedily as possible the reforms called for by the Geneva decisions:

"The Congress recognises that, in order to achieve the objects of both these reports, much remains to be done. It commends to the earnest attention of the Council of the Chamber the task of furthering the same objects partly by influencing international public opinion and partly by further expert studies of the highly complicated problems which are still awaiting solutions.

"The Congress recognises the importance of carrying out the principles of the World Economic Conference report by sound national policies, and by mutual or collective agreements between the nations, particularly in regard to the complicated problems of international trade relationships. The Congress is of opinion that this task involves not only a systematic study of the facts by competent bodies but also the co-ordination and dissemination of the results of such studies. The Congress hopes that these desiderata may be borne in mind by the League of Nations and, in view of its special central and representative position, the International Chamber pledges its cordial co-operation.

"The Congress calls upon National Committees of the Chamber to urge their respective Governments to follow the policies recommended by the World Economic Conference. It considers that each National Committee should recommend to their Government the adoption of these policies and should present the resolutions of this Congress to their Governments. Any Government which has not already made a declaration as to its intention in regard to these matters should be urged to do so without delay.

"The Congress suggests that the Council of the Chamber should arrange that the National Committees should make such representations before the end of September 1927, and report the result of their action to the Council so that the Chamber might publish a summary of the progress achieved."

Finally, the Congress felt it necessary to lay particular stress upon the urgency of reducing excessive tariffs, and accordingly supported the principle proclaimed in this connection by the Geneva Conference:

"The Congress wishes most particularly to affirm the emphatic adhesion of the business world to the declarations of the Geneva Conference regarding those tariff walls and policies which are unduly hampering trade directly or indirectly. It especially associates itself with this statement:

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

Since June 1927, the International Chamber of Commerce, through its many National Committees, has been incessantly active on behalf of the principles proclaimed by the Geneva Economic Conference.

In almost every field in which the Conference made recommendations and in which the Economic Committee has worked, the Chamber of Commerce has made important contributions during these few months.

The latest expression of its work is to be found in the report which it has recently submitted to the Consultative Committee, under the title of *The Development of the Policy of the World Economic Conference* (document C.C.E.6).

This report contains ideas and suggestions on almost every problem of commercial policy, and we have consequently had occasion to quote it repeatedly in our pamphlet.

## 2. INTERNATIONAL CO-OPERATIVE ALLIANCE.

The International Co-operative Alliance had placed the Geneva resolutions on the agenda on its second Congress, held at Stockholm in August 1927, and had accepted them by a resolution, of which the most important passages are as follows:

“ The Congress further expresses its agreement in principle with the resolutions of the Conference so far as they are in accord with the long-established policy of international co-operation, especially those relating to the removal of Customs barriers and the reversal of the present system of tariffs; the relations between agricultural and consumers' co-operative societies; and the establishment of commercial treaties.

“ The Congress declares that the time has come—the stabilisation of the currency being now largely accomplished—to put an end to the numerous irritating obstacles created since the war by the tariff systems, which are always prejudicial to the consumers of every country, and declares that it is in the interdependence of the nations, and not in the nationalism of everyone for himself, that a fruitful and durable peace may be found, and that one of the most urgent necessary measures is the establishment of commercial treaties of extended duration.

“ The Congress declares its intention to pursue these and similar economic aims to the utmost of its power, and calls upon the national organisations affiliated to the International Co-operative Alliance to exert all their influence with their respective national Governments to secure their full and effective support to the proposals of the International Economic Conference.”

## 3. TWENTY-FOURTH INTER-PARLIAMENTARY CONFERENCE.

The Twenty-fourth Inter-parliamentary Conference, held at Paris in August 1927, approved the Geneva recommendations on tariff and commercial problems in the following terms:

“ The Conference desires to record its profound satisfaction at the meeting of the International Economic Conference held in Geneva in May 1927, and pays tribute to the noteworthy work achieved by that Conference. It seconds the conclusions and recommendations formulated by the Economic Conference with regard to tariff and commercial problems.

“ The Conference sees in the unanimity with which the conclusions of the Geneva Economic Conference with regard to European commercial policy were adopted a

striking proof of the existence of a profound sense of the economic solidarity of the nations of Europe, and believes that unanimity to be of happy augury for the work to be accomplished for the liquidation of the system of super-protection now in force in Europe.

“The Conference, moreover, invites the League of Nations energetically to pursue the work so well begun in the economic field and to take steps to induce its Members to contribute to the realisation of the proposals of the Economic Conference for the amelioration of economic conditions in Europe and in the world in general.”

#### 4. THIRTEENTH INTER-PARLIAMENTARY CONFERENCE ON COMMERCE.

The Thirteenth Inter-parliamentary Conference on Commerce, held at Rio de Janeiro in September 1927, gave its support to the recommendation of the Geneva Economic Conference on the subject of agricultural credits, taking the view “that effective action should be taken as soon as possible to carry out the conclusions of the Geneva Economic Conference with regard to agricultural credits”.

### IX. ECONOMIC CONDITIONS IN 1927.<sup>1</sup>

#### I. WORLD PRODUCTION.

By 1926 the world production of basic raw materials and foodstuffs was about 17 per cent greater than before the war. World trade was about 10 per cent greater, and world population about 6 per cent greater. The world was thus richer per head of population, and there was a greater international exchange of goods. The production of these classes of goods in Europe, however, was probably just below the 1913 level, and the quantum of trade about 10 per cent lower, while the population was 3 per cent greater than before the war. Similar calculations for 1927 have not yet been made, but it is certain that production in Europe was appreciably greater in that year than in 1926. Further, the balance and stability of production in 1927 showed a marked improvement.

The rate of economic development in Europe in 1926 was strikingly uneven. Eastern and Central Europe suffered from a general depression in the spring of the year, which was accentuated by the low prices of agricultural products. In the summer and autumn, the United Kingdom was seriously affected by the protracted coal dispute, while mineral and industrial activity in most of the other countries of the Continent improved.

In the United States of America the general volume of business was of exceptional dimensions; production increased and profits were maintained, though agriculture had to face a continual decline in the prices of farm products. The prices of meat, maize, cotton and wool ruled particularly low, and the Argentine, Australia, New Zealand and Egypt were all adversely affected by this fact. But the harvest returns in the southern hemisphere were satisfactory.

In 1927 there was a distinct improvement in the general European situation. Throughout Central and Eastern Europe production was on a higher level, and in Germany in particular the output of industry rose steadily. In France, though industrial production

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<sup>1</sup> Attention is called to an address on the same subject delivered by M. Alberto Pirelli, President of the International Chamber of Commerce to the Council of the Chamber on April 2th 1928, and non distributed to the Consultative Committee in the form of a memorandum (document C.C.I.4).

was below the very high level of the preceding year, values gradually adapted themselves to the stabilised rate of exchange without any pronounced difficulties in the form of acute unemployment. In the United Kingdom the volume of production was larger than in any year since 1920, and the numbers unemployed, which had increased greatly during the coal dispute, were lower at the end of each quarter of the year than on the corresponding dates in 1925. In Finland and Sweden industrial production reached record figures. The particular difficulties which were experienced by a few countries such as Italy, Norway and Denmark were almost entirely due to the increase in the value of their respective currencies.

In the United States, 1927 was also a year of substantial prosperity, though the general volume of business and production did not quite reach the exceptional level of 1926. Some industries, especially those which were unfavourably situated in 1926 (notably rubber, cotton textiles and leather), bettered their position in 1927; new engineering undertakings and road-making increased; in agriculture — especially in the North-West — there was a decided improvement, and the retail trade was well maintained. A number of important industries (such as railways, iron and steel, the manufacture of motor-cars, railway equipment and other basic industries) failed, however, to equal the records of 1926.

Business conditions in South America improved, particularly in the Argentine, the harvest of 1926-27 being generally good. The economic conditions in Asia were, on the whole, less favourable than in Europe. Japanese industry was adversely affected by the banking difficulties in the spring; Chinese trade declined, the price of rubber reduced the value of the exports of the Malay Archipelago and other rubber-producing areas.

In striking illustration of the change which has taken place in the balance of world production may be noted the fact that, if 1921, a year of great industrial depression, be ignored, in 1927 the steel production in Europe exceeded one-half of the world's total for the first time since 1914.

## 2. FINANCE.

Further progress has been made in the consolidation of State finances, a surplus of revenue over current expenditure having been secured in a number of countries. By the end of 1927, the currency had either been put on a gold basis or the rate of exchange had been *de facto* stabilised in all the more important trading countries. The exchange value of the Italian currency appreciated by about 26 per cent between February and June of 1927, and the Government decided in the last month of that year to effect a definite return to gold at a rate corresponding to about 92.5 lire to £1. Denmark returned to the gold standard at the beginning of 1927; Poland put her currency on a gold basis in October 1927; and Estonia, at the beginning of 1928, while the Norwegian Government has announced that the gold standard will be reintroduced at the old parity from the month of May 1928. The currency of the Argentine was legally stabilised at the pre-war rate in August 1927, and those of Brazil and Equador were devaluated in December 1926 and March 1927 respectively, while in April of the latter year the statutory parity of the Indian rupee was changed to 1s. 6d.

In Bulgaria and Greece measures are now being taken, in accordance with principles suggested by the League of Nations, with a view to legal currency stabilisation at an early date; and in France the currency has been maintained at a stable rate for over a year; a large reserve in gold and foreign assets has been built up and the short-term Treasury bills have been either funded or converted into two-year Treasury bonds.

During the year 1927, the gold stocks held by the United States were reduced by about \$150,000,000, which, together with a part of the new gold coming into the



market, were absorbed by other countries. The gold reserves of a number of European Central Banks were substantially increased. The Federal Reserve Board continued the policy pursued for some years past of setting off gold movements by purchases or sales of securities, with the result that there was no net gain or loss of funds in the market for the year as a whole.

The gold movements from the United States were due, not to a negative trade balance, but to loans made abroad to a net total of about 2,070 million dollars, of which 935 millions were to Europe. The foreign loans issued on the London market have been estimated at about £150 millions, the highest figure reached since the war.

In most countries the bank rates of discount were lower in 1927 than in 1926, though at the end of 1927 there was a certain tightening of the American market, which led to an increase in the Federal Reserve Bank rates at the beginning of 1928.

### 3. PRICES.

Gold prices have shown a distinct tendency to converge, a tendency which, however, has led to movement in different directions in different countries:

In most central and eastern European countries such as Germany, Austria, Hungary, Czechoslovakia and Bulgaria, gold prices moved upward, the official wholesale price index in Germany rising, for instance, from an average of 134.4 in 1926 to 137.6 in 1927.

In the United States, Canada, Great Britain, Sweden and some other countries whose currency has for some time been linked to gold, prices have fallen somewhat. In the United States of America, wholesale prices fell from an average of 151.1 in 1926 to 146.7 in 1927, and in Great Britain from 148.1 to 141.4. But the decline in prices, which began in the United States in the latter half of 1925, came to an end in the middle of 1927, and from June of that year the index moved slightly upwards.

In France, when the currency appreciated rapidly between July 1926 and the end of the year, gold prices rose steadily until the end of the first quarter of 1927 and then declined until November. In Italy, the currency appreciation continued from August 1926 to June 1927, and during the whole period gold prices rose to decline again during the latter half of the year and early months of 1928. But in both countries gold prices averaged higher in 1927 than in 1926. In Denmark and Norway, where the more rapid currency appreciation had been effected in 1925 or the first half of the following year, gold prices averaged lower in 1927 than in 1926.

### 4. TRADE.

Although it is too early to make a close estimate of the value of world trade in 1927, there is no doubt that it was higher than in 1926. The statistics of vessels entering and cleared from ports, and the figures of trade by weight register increases in almost all countries. The figures of trade by value are likewise higher in the great majority of cases. When interpreting this latter class of statistics, however, it must be borne in mind that, while in the United States, the United Kingdom and a number of other countries whose currencies have been on a stable basis for a relatively protracted period of time prices have been falling, in Germany, France and Italy gold prices averaged higher in 1927 than in 1926. The broad characteristics of the trade in France and Italy are worth noting. In France the exchange value of the currency improved from 1926 to 1927 by 17 ½ per cent (on an average). The import values in paper francs fell by 11 per cent and the export value by 7 per cent. In Italy the exchange value improved by 24 per cent, the import values in

paper lire fell by 21 per cent and the export values by 16 per cent. In both cases, therefore, the gold value of the trade increased, and the percentage which exports constituted of imports rose.

In the United States exports increased by 56 million dollars, while imports were 246 millions lower, owing mainly to a reduction in the value of imported rubber.

The increase in German exports during 1927 was due to larger sales of finished manufactured products, the exports of semi-manufactured goods being lower. Although the total exports of the United Kingdom were nearly £54 millions higher than in 1926, they were still £95 millions lower than in 1925, while imports were over £100 millions lower.

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