

# LEAGUE OF NATIONS

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## RECORDS

OF THE

TENTH ORDINARY SESSION

OF THE

ASSEMBLY

---

MEETINGS OF THE COMMITTEES

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MINUTES

OF THE

SECOND COMMITTEE

(TECHNICAL ORGANISATIONS)

GENEVA, 1929

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*Vice-Chairman:* M. H. COLIJN (Netherlands).

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<i>Norway :</i>	M. P. L. KOLSTAD. M. Rolf ANDVORD Dr. Arnold C. RAESTAD } (Substitutes).
<i>Paraguay :</i>	His Excellency Dr. Ramón V. CABALLERO DE BEDOYA.
<i>Peru :</i>	M. Augusto LEGUIA SWAYNE.
<i>Persia :</i>	His Excellency Mirza Hussein Khan ALÂ. M. ENTEZAM-VEZIRI (Substitute).
<i>Poland :</i>	His Excellency M. Hipolit GLIWIC. His Excellency M. Witold CHODZKO. M. Antoni ROMAN M. Léon CHRZANOWSKI } (Substitutes). M. Adam BENIS M. MOSCICKI
<i>Portugal :</i>	His Excellency Dr. Augusto DE VASCONCELLOS OR His Excellency M. J. C. Franco FRAZÃO, Count DE PENHA GARCIA. M. FRANCISCO DE CALHEIROS E MENEZES (Substitute).
<i>Roumania :</i>	M. J. LUGOSIANU. Mlle. Hélène VACARESCO, Mme. Alexandrine CANTACUZÈNE, His Excellency M. Eugène NECULCEA, M. Savel RADULESCO } (Substitutes). Dr. G. CRISAN
<i>Salvador :</i>	His Excellency M. Francisco A. LIMA.
<i>Siam :</i>	His Highness Prince VARNVAIDYA. His Serene Highness Prince TONGTOR (Substitute).
<i>South Africa :</i>	Mr. Daniel Johannes DE VILLIERS. Mr. W. BÜHRMANN (Substitute).
<i>Spain :</i>	His Excellency M. Eduardo COBIÁN. His Excellency M. Julio CASARES (Substitute).
<i>Sweden :</i>	M. R. J. SANDLER. M. A. F. ENSTRÖM.
<i>Switzerland :</i>	His Excellency M. Giuseppe MOTTA. M. Walter STUCKI. M. Gottfried KELLER (Substitute).
<i>Uruguay :</i>	His Excellency Dr. Alfredo DE CASTRO. Dr. Eduardo Rodríguez LARRETA (Substitute).
<i>Venezuela :</i>	His Excellency Dr. Diógenes ESCALANTE. M. Oscar AGUILAR (Substitute).
<i>Yugoslavia, Kingdom of :</i>	His Excellency M. Jelko MAJOURANITCH. M. André GOSSAR M. Georges CURCÍN } (Substitutes).

SECOND COMMITTEE  
(TECHNICAL ORGANISATIONS.)

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AGENDA

1. WORK OF THE ECONOMIC AND FINANCIAL ORGANISATION, INCLUDING THE WORK OF THE ECONOMIC CONSULTATIVE COMMITTEE, AND ITS PROGRESS REPORT ON THE EXECUTION OF THE RESOLUTIONS OF THE ECONOMIC CONFERENCE :
    - (a) Economic Work.
    - (b) Financial Work.
  2. WORK OF THE ORGANISATION FOR COMMUNICATIONS AND TRANSIT.
  3. WORK OF THE HEALTH ORGANISATION OF THE LEAGUE.
  4. INTELLECTUAL CO-OPERATION :
    - (a) Work of the International Committee on Intellectual Co-operation and of the International Institute of Intellectual Co-operation ;
    - (b) Work of the International Educational Cinematographic Institute.
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## FIRST MEETING

*Held on Tuesday, September 3rd, 1929 at 10 a.m.*

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*Chairman: M. MOTTA (Switzerland).*

### 1. Opening Speech by the Chairman.

The CHAIRMAN, opening the session, cordially thanked the Committee for the honour it had done him in electing him again to the Chair. He had enjoyed this honour in the preceding year, but he had then been prevented from following the Committee's work as closely as he would have wished. He hoped that circumstances would be more favourable this year. At all events the Committee might rest assured that he would observe a strict impartiality, and he was sure that his colleagues would assist him in the performance of his duties.

### 2. Election of the Vice-Chairman.

On the motion of the CHAIRMAN, M. COLIJN (Netherlands) *was elected Vice-Chairman by acclamation.*

M. COLIJN (Netherlands) thanked his colleagues for this token of their esteem.

### 3. Publicity of the Meetings.

The CHAIRMAN proposed that the method followed in the preceding years should be continued and that the Committee's meetings should be held in public.

*The proposal of the Chairman was adopted.*

### 4. Agenda and Programme of Work : Appointment of Provisional Rapporteurs.

The CHAIRMAN read the list of questions submitted to the Committee for its consideration. He proposed that the method of work adopted in the preceding years should be continued. This method was to appoint provisional Rapporteurs on each question and to entrust to these Rapporteurs the task of preliminary examination.

*The procedure proposed by the Chairman was adopted.*

The CHAIRMAN proposed that the following Rapporteurs should be appointed to examine the various questions on the agenda :

1. Intellectual Co-operation. — M. VALDÉS-MENDEVILLE (Chile) ;
2. Work of the Communications and Transit Organisation. — M. COBIÁN (Spain) ;
3. Work of the Health Organisation. — M. FIERLINGER (Czechoslovakia) ;
4. Economic and Financial Organisation : Economic Questions. — Dr. BREITSCHIED (Germany) ;
5. Economic and Financial Organisation : Financial Questions. — M. GLIWIC (Poland).

*The proposals of the Chairman were adopted.*

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## SECOND MEETING

*Held on Friday, September 6th, 1929, at 4 p.m.*

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*Chairman: M. MOTTA (Switzerland).*

### 5. Intellectual Co-operation : Examination of the Preliminary Report presented by M. Valdés-Mendeville (Chile).

M. VALDÉS-MENDEVILLE (Chile), Rapporteur, at the request of the CHAIRMAN, read his report (Annex 1).

He added that he was unable to pass over in silence a number of criticisms made in regard to the Intellectual Co-operation Organisation, for most of such criticism was constructive in character. Reference had been made to a crisis in intellectual co-operation. The only crisis was that provoked by its growth. The desire to overcome existing difficulties had inspired the scheme to establish a Committee of Enquiry. The object of the 65,000 francs mentioned in the report was not only to make the meeting of the Committee of Enquiry possible, but also to cover the cost of an extraordinary session of the International Committee on Intellectual Co-operation, if the Committee of Enquiry should succeed in drafting a report before July 1930.

Referring to the results obtained, he would pay a tribute to the step taken by the Italian Government, which had made it possible to establish the International Educational Cinematographic Institute.

His view in regard to teaching children the objects of the League of Nations was that a Committee of Experts should once more be summoned in order to give fresh impulse to such education.

M. ANDRÉADÈS (Greece), supported by M. DE VASCONCELLOS (Portugal) and Professor GALLAVRESI (Italy), hoped that, in future, a sufficient period of time would elapse between the circulation of a report to delegations and the opening of the general discussion.

Professor GALLAVRESI (Italy) proposed to postpone for the moment the question of cinematography until the Director of the Educational Cinematographic Institute in Rome could be present.

*The proposal of Professor Gallavresi was adopted.*

Count CARTON DE WIART (Belgium) congratulated the Rapporteur on his work and agreed with him that the crisis undergone by the Intellectual Co-operation Organisation would have beneficial results. For institutions as for individuals, there was only one fatal disease — a refusal to improve or the impossibility of so doing. There was now an opportunity for this organisation to revise its programme, its position and its methods.

The weak spots were pointed out in the report. It appeared that the aim in view was to restrict the Institute's activities to a number of more clearly defined tasks, and to direct those activities towards more practical ends. Neither the Institute nor the Committee could play the part of a universal academy or of a world intelligence ministry. To achieve results, such institutions must turn for preference to certain definite problems, in dealing with which collaboration between States in intellectual matters seemed both desirable and feasible. Among such problems were University Relations, Co-ordination of Bibliographies, the International Museums Office, etc. The question of the equivalence of degrees was also one of them. In many countries the tendency of legislation moved increasingly in the direction of establishing a system of university protectionism. In contrast to what had formerly been the case, it had now become almost impossible in practice for a student to carry on his studies in foreign countries. The League was, very rightly, examining the possibility of lowering the economic barriers between nations. It should also endeavour to lower the intellectual barriers.

On the other hand, he felt it necessary to refer to a task which did not, in his view, concern intellectual co-operation. It seemed to him that propaganda on behalf of the objects of the League of Nations could more advantageously be undertaken either by the Secretariat or by the Union of League of Nations Associations. Thanks to the latter organisation, for example, scholarships had been given in Belgium in order to make it possible for members of the teaching profession to attend the work of the League.

Propaganda required a certain adaptation to local divergencies and a certain amount of training in publicity which were incompatible with the present conception of the Institute for Intellectual Co-operation.

In conclusion he thought that the Committee of Enquiry should not fail to consider whether it was desirable to : (1) Take out of the hands of the Institute a number of tasks for the performance of which other organisations appeared better qualified ; (2) Direct, towards increasingly practical ends, the remaining items in the programme of intellectual co-operation.

M. VÉSZI (Hungary) associated himself with the congratulations addressed to the Rapporteur. He would, however, refer to an omission in his statement which was in other respects very complete. Last year the Sixth Committee had unanimously adopted the following resolution which had subsequently been adopted by the Assembly :

“ The Assembly recognises the importance of the problem of the international circulation of books and hopes that the obstacles in the way of the circulation of scientific and technical publications may as far as possible be removed. ”

As was to be seen from Appendix I of the report of the International Committee on the work of its eleventh plenary session held from July 22nd to 26th, 1929, the Sub-Committee on Intellectual Rights had been much disturbed by the postal and Customs obstacles standing in the way of the international circulation of books. Intellectual expansion, however, was hindered by obstacles of a different nature. At the moment, scientific or technical books published in Hungary were penalised by prohibitions imposed in certain neighbouring States. Political books were entirely prohibited. He had explained the question at length at the meeting of the International Conference of Press Experts convened two years previously by the League. If the newspapers of each country confined themselves to a monologue because their expressions of opinion could never pass their own frontiers, misunderstanding and hatred between nations would continue to breed international disputes.

In order not to tire the Committee by enumerating theoretical complaints he would submit a series of documents justifying his contention. He laid on the table of the Committee a series of journals and reviews of a scientific and technical character which had been rejected by the Czechoslovak postal services. None of these publications was in any degree of a political nature ; they contained no irredentist propaganda.

He reminded the Committee of the letter of March 10th, 1929, sent by the Minister for Foreign Affairs of Czechoslovakia to the Hungarian group of the International Federation of the Technical Press stating that the entry of publications of a special nature coming from Hungary was only prohibited when such publications were found to be used either directly or indirectly for carrying on irredentist propaganda. This very definite assertion on the part of the Government of Prague was therefore in direct opposition to the methods used by the subordinate administrative departments.

Nor was the resolution passed by the last Assembly concerning the importance of the international circulation of books any better observed. He placed on the table of the Committee a book on spiritualism and another on Hungarian syntax which had both been confiscated by the Czechoslovak authorities. The result was that the million inhabitants who constituted the Hungarian minority in Czechoslovakia had been deprived of all opportunity of acquainting themselves with the scientific researches written in their mother tongue. A procedure of that kind was not in accordance with the resolution concerning the circulation of books. Might it not be asked whether such measures did not constitute a mockery of the very idea of intellectual co-operation ?

Furthermore, the Roumanian and Yugoslav authorities simply suppressed packages which were disagreeable to them without having the courtesy to notify, as was the practice of the Czechoslovak authorities, their return or their confiscation.

The Treaty of Trianon had separated four million Hungarians from their fatherland. Must they be deprived of their intellectual nourishment? He would recall the words spoken by Mr. MacDonald at the Plenary Assembly, when he had said that the great privilege of the majority must be to render the minority comfortable and to act so that the minorities should be proud to form part of the States to which they belonged. Was it comforting to the minorities to be deprived of their intellectual nourishment?

It was therefore to the worldwide authority of the League that Hungary appealed in her distress. In the previous year M. Rappard had pointed out that the Hungarian proposal appeared to him so modest and retiring that support of it involved the danger of forcing an open door. The test had been made. The door which M. Rappard had believed to be open was still closed, and he hoped that M. Rappard would help in forcing it open. The grievances to which he had drawn attention were closely bound up with the great questions of disarmament and international reconciliation. The hostile measures in force in certain countries against the intellectual products of neighbouring peoples could not be held to be compatible with the intellectual reconciliation for which the opinion of the world was calling. However insignificant the matter he had mentioned, it reflected every facet of the distress by which men's minds were tormented throughout the world.

He would, in conclusion, submit the following resolution to the Second Committee :

“ In view of the great interest which attaches to the international spread of books and the free circulation of the technical Press, and in the hope that the renewal of the resolution of the last Assembly may accelerate the action for carrying it into effect,

“ The Assembly emphasises once more the importance of the international spread of books, and reiterates the hope that the obstacles placed in the way of the circulation of scientific and technical matter will be set aside within the measure of possibility. ”

The CHAIRMAN informed the Committee that M. Fierlinger had requested those speakers who had already sent in their names to be good enough to allow him to reply to M. Vészi immediately.

M. FIERLINGER (Czechoslovakia) thanked the Committee for permitting him to reply immediately to the very serious charges made by the Hungarian delegate against certain neighbouring countries and, in particular, against Czechoslovakia. He feared that the Hungarian delegate had strayed somewhat beyond the limits of the Committee's work. He agreed with him when he pleaded for liberty and the free exchange of opinions. Liberty was the basis of all modern political institutions — on condition that it was not directed against those institutions, against the safety of the States and against liberty itself. It would be regrettable for the exchange of ideas to be hampered by artificial measures.

The best reply, however, to the Hungarian delegate was contained in the magnificent peroration to the speech which M. Briand had made the previous day at the Assembly, setting forth the root causes which disturbed the peace of the world. The Hungarian delegate had adduced certain material proofs in support of his charges. He himself, however, was very much afraid that, if those charges were examined seriously, proof would be found that the matter was one of systematic smuggling. The Administrations of the States adjacent to Hungary were obliged at all times to keep out an insidious form of propaganda which was carried on under the cover of self-styled scientific works, and which was seriously injurious to the good relations which Czechoslovakia ardently desired to maintain with her neighbours.

It could hardly be said that Czechoslovakia was seeking to deprive the intellectuals of the Hungarian minority of their intellectual nourishment, since there now existed in the territory which had been formerly Hungarian and was now incorporated in Czechoslovakia fifty per cent more publications than before. The Czechoslovak Government had, in its constitution, enunciated the principle of freedom of opinion, and it considered the observance of that declaration to be a sacred duty.

He would emphasise that the Hungarian delegate had been unable to adduce any similar charges made by the other States adjacent to Czechoslovakia. That was the best proof that this form of propaganda carried on in Magyar was not always compatible with the security of the Czechoslovak State.

He did not think, however, that a Committee of the League of Nations was a suitable platform for a manifestation against the Treaty of Trianon, if such had been the Hungarian delegate's intention.

The CHAIRMAN said that, if he decided to distribute the resolution proposed by the Hungarian delegate, it would be from a desire to observe complete impartiality. He pointed out, however, that there was an obvious lack of proportion between that resolution and the arguments adduced on behalf of it by the Hungarian delegate.

M. LOUCHEUR (France) said that the Committee had met to discuss the progress of the Intellectual Co-operation Organisation, and not to receive complaints, whether justified or not, connected with the question of minorities. He therefore pressed the Hungarian delegate to withdraw his draft resolution. He regretted that the Second Committee should have been chosen for a manifestation of this kind.

M. VÉSZI (Hungary) withdrew his proposal. In explanation of his statement he would add that the annual report of the Committee on Intellectual Co-operation had supplied him with the only point on which he could base his proposal by drawing attention to existing obstacles to the free international circulation of books. The question, moreover, was in no way a minority question. Hungary was not a minority. She had her own culture and her own Press. He had therefore only set forth the grievances of a sovereign country which was a Member of the League.

M. MAJOURANITCH (Yugoslavia) said he would have liked to reply to M. Vészi's observations, but that, at the request of the Chairman, he would consider the debate as closed.

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### THIRD MEETING

*Held on Thursday, September 12th, 1929, at 10.30 a.m.*

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*Chairman : M. MOTTA (Switzerland).*

#### **6. Economic Work of the League of Nations : Examination of the Draft Report presented by Dr. Breitscheid (Germany).**

The CHAIRMAN informed the Committee that the Chairman of the Economic Committee would be present at the debates and would be at the disposal of the delegates to reply to any questions they might wish to ask on the subject of the economic work of the League of Nations.

Dr. BREITSCHIED (Germany), Rapporteur, commented upon his report (Annex 2).

He drew attention to the fact that his draft report should be considered as provisional, for economic problems were in a continual state of evolution. The discussion in the Assembly had, however, given them a new aspect and considerably enhanced their interest. He therefore reserved the right to submit new amendments to the draft resolutions already submitted to the Committee and to postpone the definite completion of the report until after the questions therein mentioned had been discussed by the Committee.

He was convinced of the necessity for economic disarmament and sincerely desired that the League of Nations might achieve useful work in this field. He would therefore deal first with two technical questions : that of economic statistics and that of the unification of Customs nomenclature.

It was necessary not to underestimate the value of this technical work which was an indispensable factor of progress in the international economic field. Without a unification of statistics it was impossible to judge the economic situation as a whole or to establish a collective reduction in tariffs, either by means of maximum duties or the "*système des plafonds*" or by closer co-operation between European countries.

Anything that might be done for the reduction of Customs duties must depend upon the unification of Customs nomenclature, since it was impossible to proceed to the comparison of the tariffs of different countries without this unification. So far as economic statistics were concerned, an international convention already existed and the work on the unification of Customs nomenclature was being continued. He desired to know whether it might be possible to have a draft for the unification of international Customs nomenclature by the month of July or August 1930.

The work relative to the coal problem was only as yet at its beginning. A Committee of Experts had been formed, on which employers and employed were represented and which was to meet on September 30th to continue the study of this important problem. He called to mind what Mr. Graham, delegate for Great Britain, had said on the coal problem before the Assembly, and associated himself with the recommendation made by the British delegate that an international conference should be called to deal with the questions of wages and hours of work in the coal industry. A resolution to this effect, submitted by the British delegation, had been distributed to the delegates ; it would be discussed by the Second Committee. He approved of this resolution and assured the Committee that his Government would not only take part in such a conference but would do its utmost to further its success.

Another resolution had been submitted by the French delegation, proposing to call a diplomatic conference to deal with the price of coal and the disequilibrium between the production of coal and the needs of consumers. These questions would be dealt with by the Committee of Experts and he felt that it was preferable to refrain from recommending the preparation of a new international conference before being acquainted with the results of the deliberations of the Experts. This was the only means of avoiding overlapping.

A provisional report had been drawn up on the sugar problem. This report contained the following conclusions : (1) The difficulties from which the sugar industry was now suffering would eventually cure themselves ; (2) The framing of a new convention on the lines of the Brussels Convention of 1902 would not help to solve the present difficulties ; (3) It was desirable that Governments should examine the possibility of lowering the excise duties on sugar without in any way prejudicing their fiscal position.

The French delegation had asked that a diplomatic conference should be called to study the sugar question. He had his doubts as to the success, in present circumstances, of such a conference and he was waiting for the explanations of the French delegation on this subject.

To deal with the question of the abolition of import and export prohibitions and restrictions an international Convention had been signed by twenty-two States, including the United States of America. Before coming into force this convention must be ratified, before the end of the present month, by at least eighteen States. Further, each State had the right, as far as it was concerned, to make the coming into force of the convention dependent upon the ratification of other States designated by itself.

Up to the moment, only eleven States had deposited their instruments of ratification. It was necessary that this Convention should be ratified by a sufficient number of States in order that its coming into force should not be impeded.

In the resolution which he submitted to the Committee, he appealed to the Governments concerned to render possible the coming into force of the Convention. The experts had discussed among themselves the conditions of such agreements, but, on returning to their several countries, they had met with every sort of difficulty in obtaining the ratification of their Governments. His resolution alluded to these difficulties and begged the Governments to remove them.

The German Government had as yet been unable to ratify the Convention, because the Reichstag had not yet met again owing to the Hague Conference, but the German Government would do its utmost to obtain this ratification as quickly as possible.

The International Conventions for the Abolition of Restrictions on the Export of Hides and Skins and of Bones had been signed by twenty States, and seventeen States had signed the protocol for its coming into force contemplated by October 1st of the present year. The Convention on Hides and Skins abolished export restrictions and export duties. The Convention on Bones suppressed the restrictions on exports but maintained duties — limited, however — upon exports in favour of some of the contracting States.

He would refer in this connection to the recommendation of the International Economic Conference that "the free circulation of raw material was one of the essential conditions for the evolution of industry and national commerce", and regretted that a raw material such as bones should still be subjected to export duties. He was glad to be able to say that the Convention would enter into force very shortly.

A draft convention had been submitted which should serve as a basis for the negotiations of an international conference to meet next November to deliberate upon the treatment of persons and commercial companies settling in foreign countries. The Secretariat had published a brown book which summed up the results of previous negotiations.

The draft convention would give rise to certain difficulties. He noted with regret that several articles were placed in brackets because there was some doubt as to the possibility of inserting them in a collective convention. These fears must not be justified. The draft should, on the contrary, be extended in its most liberal sense. In its present form it only affected the treatment of persons and commercial companies already admitted to a foreign country and certain clauses related to restrictions as to the treatment of these foreigners. Anyone who desired a closer economic co-operation between nations and freer conditions of trade should recommend more liberal international regulation of the status of foreigners. In taking a further step forward, the wish formulated in the conclusion of the draft would be fulfilled; namely, to regulate not only the rights of foreigners already admitted but to organise, as soon as possible, the free circulation of foreign labour without, however, refusing the right of Governments to take the necessary measures to avoid the dangers of a competition arising for national labour.

It was desirable to extend this plan by recommending the abolition of visas. In a resolution at the end of his report, he had inserted an appeal to Governments taking part in the contemplated diplomatic conference, inviting them, in a liberal spirit, to suppress all discrimination against foreigners.

An important passage of the report dealt with the reduction of Customs tariffs. This reduction had been recommended in the resolutions of the International Economic Conference. There were three different methods of dealing with the problem — by autonomous tariffs, by bilateral treaties and by collective conventions.

Up till now, the method of autonomous reduction had not achieved any positive success. The German Government had drafted a measure on this subject but there was very little hope that other States would follow its example. Sweden alone had taken steps to introduce this form of reduction.

Reduction by means of bilateral treaties had obtained the best results. But it must not be forgotten that such a measure was used as a means to bargaining. Tariffs were often augmented in order to be subsequently lowered according to the needs of the negotiations.

The third method, that of the reduction of Customs tariffs by means of collective agreements, had met with as little success as that of autonomous reduction. The Economic Organisation of the League of Nations had considered a possible reduction of Customs tariffs by means of the "*système des plafonds*", or the system of reduction by percentages. Efforts had been made to reduce tariffs by groups of commodities. Regarding aluminium, it had been necessary to abandon the hope of arriving at a solution. A Committee of Experts would meet in the autumn to consider the question of cement. This was all that remained of the recommendations relating to the collective reduction of tariffs.

The delegate for Belgium, M. Hymans, had formulated in the Assembly a very interesting proposal that the States concerned should undertake by means of international conventions



not to augment further their Customs tariffs. Reference had been made to economic disarmament that would be a sort of Customs truce. Certainly the idea was attractive.

Mr. Graham had also submitted a draft resolution which the Committee had received, suggesting a two years' duration for this truce. This would be, perhaps, the beginning of a real reduction in Customs tariffs, but an excessive optimism should not be entertained. Sight must not be lost of the difficulties, and the study of this very complicated problem could only be undertaken with a full knowledge of the facts. Certain States, for example, having the option to retain rather high Customs tariffs, might, owing to the system proposed, obtain a recognition of these tariffs. On the contrary, the States with reduced Customs tariffs would find themselves obliged to keep them as they were, and their commodities would not be able to pass the frontiers of countries protected by high tariffs.

Neither would the Customs truce prevent certain States, by a modification in the nomenclature of the tariffs, from augmenting their Customs tariffs unless an express stipulation figured to this effect in the draft of the Customs truce.

Mr. Graham had proposed a period of two years for this truce. If one could judge by what had already occurred, it seemed that the truce ought to be of at least three years' duration.

In the event of this truce being concluded, it would be essential to remove the danger presented by the admission of exceptions which would render the Convention entirely useless. It was also to be feared that many States would, at the last moment, raise their Customs tariffs in order to be able to declare at the moment of negotiation that they were prepared to consent to a reduction. The Customs truce should, therefore, necessarily last for a period of at least three years, to be employed in the preparation of an international conference instructed to examine the question of a general economic co-operation.

A Customs truce could not be recommended as an end in itself, particularly in view of the injustice which would result from it for the States which had reduced Customs tariffs. But such a Convention, as far as one could judge, would admit the possibility of far-reaching international regulations of an economic character, more especially in the field of Customs policy. It would be impossible to say whether such a truce would have good or bad results. It would first be necessary to know what form it would take. He reserved the right to insert a proposal in his report after the discussion on this subject, and to submit a draft resolution. The essential point in the field of the reduction of Customs tariffs would not be so much the Customs truce as the establishing of the economic regulations to which he had referred.

M. Briand had spoken at the Assembly of economic disarmament and had upheld the principle that it would be almost impossible to arrive at this disarmament solely with the help of technical experts. He fully appreciated the work of the experts but he felt that in many cases it was desirable for them to be guided by politicians and diplomats.

This problem should then be considered from a political point of view, and the desire to succeed in the economic field should be accompanied by a desire for a closer collaboration between all the Governments concerned. A European Customs Union should have for its first condition a political understanding of which the form was yet to be determined.

The French delegation proposed to call an International Economic Conference of Government representatives. He would congratulate the father of the first Economic Conference — M. Loucheur — on the birth of this second child. He wondered, however, if the moment was opportune to undertake such a difficult task as the constitution of a second International Economic Conference. One might, perhaps, appoint a Committee of Enquiry, composed of certain responsible statesmen designated by each of the countries concerned. At the time of the first International Economic Conference, attention had been drawn to the importance of delegates to the Conference being independent technical experts. For the second Economic Conference the French delegation proposed to convene Government representatives. A Committee of Enquiry could solve the problem quite as well and might more easily succeed in its task.

The work accomplished by the Economic Committee in the field of commercial policy was particularly important — more especially the precise standard formula concerning the most-favoured-nation clause — and showed how competent this Committee was to deal with such complicated problems. This formula, however, was limited to Customs duties and did not allude, as the International Economic Conference had asked, to other conditions of commerce.

The question of the relation between collective conventions and bilateral treaties had not yet found a definite solution. A collective Customs convention, taking into account the new opinions which had come to light in speeches at the Assembly, would render possible a very far-reaching international economic co-operation. But whatever the form of such co-operation the question of the relation between bilateral treaties and the unlimited most-favoured-nation clause would always be very important unless a Customs union were contemplated which would involve an exception being allowed to the application of the most-favoured-nation clause as determined by international law.

Concerning the relations between bilateral treaties and collective conventions, the Economic Committee recommended States to stipulate in their commercial treaties that the unlimited most-favoured-nation clause should be extended in general to all the duties which a State, by means of a collective convention, accorded to another State. This was a very useful stipulation but did not as yet constitute a definite solution, for the question always arose: what would happen if a State was not disposed, in its treaty containing the most-favoured-nation clause, to accept a restrictive clause? Had such a State the right to claim the reduced Customs tariffs of the collective convention when it had not signed the convention and still retained high Customs



tariffs? It was to be hoped that the evolution of international law would give new assistance in this field to the work of the League of Nations.

He would not enter into the details of all the other work of the Economic Organisation of the League of Nations. Sufficient indications were contained in the draft report which he had submitted to the Committee.

The draft report contained certain slight criticisms which applied to work already done but he did not wish thereby to detract from the value and importance of that work. The criticisms aimed at giving a new impulse to the fruitful activity of the League of Nations in favour of the international economic co-operation so valuable to all nations.

Sir Arthur SALTER, Director of the Economic and Financial Section, replied to Dr. Breitscheid on a point which touched at the same time upon the Belgian resolution, namely, the necessity for hastening the work of the Expert Committee on Customs Nomenclature. The experts had held four sessions last year and three this year. Each session had lasted from two to three weeks. The experts had done an immense amount of work but the task which had been confided to them was very great. In all probability it would be impossible for them to finish their work next year without extra sessions. It would, therefore, be necessary for the Governments of the State to which they belonged to permit them to sit more often than they had done up to the present.

**7. Documents of the Commission : Memoranda by Sir Arthur Salter ("United States of Europe" Idea) (Annex-3) and M. Stoppani (Memorandum relating to the Idea of a Collective Agreement to improve the Organisation of International Economic Relations in Europe) (Annex 4.)**

M. VAN LANGENHOVE (Belgium) said he had, with certain of his colleagues, had the privilege of seeing two reports relative to questions on which the Committee would have to deliberate. Although these reports had no official character, they were of the highest interest. They were drawn up (1) by the Director of the Financial and Economic Section of the Secretariat, Sir Arthur Salter, and (2) by his distinguished colleague, M. Stoppani. Although they were personal memoranda, he considered that it would be of advantage for members of the Commission to read them and he expressed the desire that the reports should be distributed.

Sir Arthur SALTER, Director of the Economic and Financial Section, explained that the documents referred to were written for the use of certain members of the Secretariat. They were not intended to become Secretariat documents for general distribution and still less official documents. They must not, therefore, be considered as such. If, however, the members of the Second Committee desired to read them, M. Stoppani and himself would be glad to put them at the disposal of the Committee, asking it, however, to remember that they were personal documents which might contain phrases which would not have been inserted if they had been destined for official distribution.

M. GLIWIC (Poland) had read the documents in question which he considered excellent and he seconded the proposal of the Belgian representative.

The CHAIRMAN thanked Sir Arthur Salter and M. Stoppani on behalf of the Committee for having put these important documents at its disposal.

*The proposal of M. van Langenhove was adopted.*

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#### FOURTH MEETING

*Held on Friday, September 13th, 1929, at 10.15 a.m.*

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*Chairman : M. MOTTA (Switzerland).*

**8. Economic Work of the League of Nations : Examination of Dr. Breitscheid's Report (continuation). — Customs Truce : Draft Resolutions presented by the French, British and Belgian Delegations. — Coal : Draft Resolutions presented by the French and British Delegations. — Economic and Monetary Intelligence : Draft Resolutions presented by the Australian Delegation.**

The CHAIRMAN announced that the two following draft resolutions, to be submitted by M. Loucheur and Mr. Dalton, had been distributed :

*Customs Truce.*

" The Assembly :

" 1. Having taken note of the results obtained during the discussions of the Economic Consultative Committee, expresses its appreciation of the persevering efforts of that Committee and of the Economic Committee ;

" 2. Impressed by the importance of taking all possible steps to carry into effect the recommendations of the World Economic Conference of 1927 ;

" 3. Considering that no effective action will be possible in the future unless the Governments are now requested to examine in their turn the questions left in suspense by the Consultative Committee and by the Economic Committee, availing themselves of the work accomplished by those Committees to assist them in their decisions :

" 4. Recommends that negotiations should be begun between such Members of the League of Nations and non-Member States as may desire to participate therein, with a view to promoting, at the earliest possible date, a meeting which would be convened by the Council to frame a first collective agreement for diminishing the hindrances to trade and developing and facilitating economic relations by all practicable means.

" 5. In order that the preparatory work and the negotiations themselves should be pursued on a firm basis and in an atmosphere of confidence, it also recommends that States which are prepared to participate therein should agree not to increase their protective tariffs above the present level for a period of two years, or to impose new protective duties or create new impediments to trade, it being understood that this undertaking should not lead to any relaxation in the efforts which States are making to reduce their tariffs to the greatest possible extent by autonomous or bilateral action, in conformity with the recommendations of the World Economic Conference.

" 6. The Assembly, therefore, herewith requests Members of the League of Nations and non-Member States to intimate to the Secretary-General of the League of Nations before November 30th, 1929, with or without the name of their representative, whether they are prepared to take part in a preliminary conference of delegates of Governments with a view to the conclusion of the agreement referred to in paragraph 5 above ;

" Requests the Council to instruct the Economic Committee to frame during its next session the text of a preliminary draft intended to serve as a basis for discussion, and

" Instructs the Secretary-General to take all necessary steps to ensure that the above-mentioned preliminary conference should meet at a date as near as possible to January 1st, 1930."

#### *Coal.*

" The Assembly expresses its sincere appreciation of the work performed by the Economic Committee in investigating the causes and effects of the present difficulties confronting the coal industry, and congratulates it upon its illuminating interim report (document C.150.M.58.1929.II) which it has already issued.

" It notes the statement of the Economic Committee in its interim report that ' as regards the third of the proposals for international action, that which relates to wages and hours, we will confine ourselves at this stage to saying that action in this field would appear to fall within the competence of the International Labour Office, not that of the Economic Organisation of the League'.

" It further understands that the International Labour Organisation has been conducting enquiries as to hours, wages and conditions of work in coal-mines since 1925, and that for several months the Governing Body has had under consideration a request from the Congress of the International Miners' Federation, which met at Nimes last year, to convene a conference of the principal coal-producing countries with a view to the equalisation and reduction of hours of work.

" Owing to the great urgency of the matter, the Assembly is of the opinion that the International Labour Organisation should pursue its work without delay, and accordingly invites the Council to request the Governing Body of the International Labour Office to consider the inclusion in the agenda of the International Labour Conference of 1930 of questions relating to hours, wages and conditions of work in coal-mines with the object of agreeing upon an international convention or conventions thereon, while in the meantime the Economic Committee will consider its final report, which, together with the interim report, will be available to the Conferences referred to in this resolution.

" The Assembly further suggests that the Governing Body should consider the advisability of convening, at an early date, a preparatory technical conference consisting of representatives of the Governments, employers and workers of the principal coal-producing countries of Europe, in order to advise it as to what questions relating to conditions of employment in coal-mines might best be included in the agenda of the International Labour Conference of 1930 with a view to arriving at practical international agreement.

" The Assembly invites the Council to consider the recommendations which the Economic Committee may make, after the Conference of September 30th, with regard to the present troubles in the coal industry, including fluctuations in prices and the existing disparity between production and the requirements of consumers ; and to convene a conference of the Governments concerned to consider these recommendations."

M. LOUCHEUR (France) said he would refrain from any economic declaration of a general nature, and would immediately refer to Dr. Breitscheid's report and to the resolutions submitted. He agreed with Dr. Breitscheid as to the first results obtained in the field of statistics and

Customs nomenclature and joined with him in asking that measures should be promptly taken secure to the completion of the work of unification of Customs nomenclature next year.

In his opinion the report did not insist sufficiently upon the desirability of immediately appointing agricultural experts as members of the Economic Committee, and he would point out that, at the Conference of 1927, France had continually requested that agricultural interests should not be neglected.

Three draft resolutions would be submitted for the approval of the Committee. The first resolution was a joint proposal from the French and British delegations with an addendum from the Belgian delegation. It aimed at the establishment of a kind of economic truce during which negotiations would be opened with a view to the convening of a conference to study the problem of barriers to commerce. The second resolution combined the proposals of the British and French delegations for dealing with the coal question. It would be presented by the British representative. The third resolution, presented by the French delegation, would be distributed in the course of the day. It referred to the sugar question. These drafts should, in his opinion, be discussed not only from the industrial point of view but also from the point of view of agricultural interests.

The economic truce proposed in the resolution of the three delegations — French, British and Belgian — would involve the study of a new system for the circulation of commodities in Europe and throughout the world. This resolution began with a tribute to the persevering efforts of the Economic Committee and of the Economic Consultative Committee. He wished to associate himself with the tribute paid to the work of the Economic Committee, but he regretted that he must be rather more reserved in his references to the work of the Economic Consultative Committee, of which he was personally a member. There had been a great deal of talk and very little action in that Committee and, if it continued such methods of work, he would find himself obliged to resign his position as a member of it.

The French delegation had been struck by the fact that a certain number of proposals presented by the International Economic Conference of 1927 had remained entirely dead letters. In 1927, the Conference had resulted in resolutions which had given rise to considerable hopes. Certain Governments, however, had not even examined them. They had remained, therefore, without effect, because the Conference had consisted of independent experts who had not had any government authority. In future, it was essential that Governments should be called upon to study the work of the Consultative Committee and that of the Economic Committee.

The Rapporteur had referred, not without irony, to the Economic Conference and had seemed to fear that M. Loucheur would propose a second. It was, however, necessary that the Governments concerned should meet, in order to open negotiations which, for their success, should be long and continuous. This conference should consist not only of experts but of representatives of the Governments concerned and should sit long enough to enable it to obtain definite results.

In order that such a conference might succeed — and he would insist that he did not propose a large international conference — its work should be carried on in an atmosphere of peace and tranquillity. For that reason, M. Hymans had proposed to the Assembly that a sort of economic truce should be established for two or three years, during which time the countries involved should undertake not to increase their protective tariffs. The resolution submitted to the Committee emphasised that, during that period, not only should the protective tariffs not be increased, but that no new barriers to commerce should be raised. The French delegation thought that it would be a good plan to begin with this provisional economic truce, which might perhaps eventually become permanent. It was also of opinion that, before November 30th, 1929, Governments should state whether they were prepared to take part in the conference. The Economic Committee might meanwhile elaborate proposals which would be submitted for the adherence of the countries concerned. The work would thus be carried on under the shelter of the provisional economic truce.

To what would this preparatory work lead? The negotiations would necessarily be followed by a second Economic Conference. The essential point was that, once the way was prepared, a convention might be signed providing a new basis for the circulation of commodities, not only in Europe but throughout the whole world.

The resolution on the coal problem would be presented by Mr. Dalton, but he himself particularly desired to say one word on the subject. The resolution referred to wages, hours of work and the meeting of States interested with a view to arriving at an international agreement to avoid fluctuations in the price of coal and to adjust the relation between production and consumption.

He could not refrain from a certain amount of scepticism on the subject of the international treatment of the wages question, for it would be necessary to take into account the purchasing power of wages in any particular country, and this was obviously difficult to determine. He thought that there was every prospect that the economic work of the League of Nations in 1929 would be very useful if an agreement could be reached as to the necessity of an economic truce and as to the necessity of opening negotiations with a view to a general agreement. He was, however, obliged to make reservations on behalf of France in connection with agricultural products, which his country could not agree to include in the truce. If two such important matters, from an economic point of view, as coal and sugar could be effectively discussed at the same time, the effort would not have been in vain.

Mr. DALTON (British Empire) said he was happy to agree with M. Loucheur as to the proposals which had been jointly presented by the French and British delegations.

Referring first to the remarkable report by Dr. Breitscheid, he called attention to certain passages which should be examined by a Drafting Committee, for they failed to give an exact idea either of the legal situation or of the point of view of the Economic Committee which they purported to summarise. He reserved to himself the right, if agreement were not reached by the Drafting Committee, to bring the matter up later.

He congratulated the Economic Committee on the manner in which it had studied the fundamental and particularly important matter of economic tendencies affecting the peace of the world. He hoped that its report would shortly be distributed and that it would have a wide circulation, not only among the working classes and the general public but particularly in universities and schools, in order that the study of the questions with which it dealt might be continued.

The resolution on tariffs had been clearly explained by M. Loucheur. The proposed economic truce for two years would involve, not only an undertaking not to increase Customs tariffs, but also not to introduce barriers to commerce.

The British delegation hoped that this resolution would be adopted by the Second Committee. It hoped also — knowing that certain resolutions did not get very far — that it would be accepted by a large number of Governments. He had no doubt that, in Great Britain, public opinion would clearly declare itself in favour of the proposal, and he hoped that it would be the same in many other countries.

The resolution not only provided that there should be no new rise in tariffs ; it would also allow negotiations already begun, or about to begin, to be pursued. No progress, however small, accomplished in this field was negligible. On September 11th, a Convention relative to hides, skins and bones had been signed. He hoped that the resolutions of the Economic Organisation would not stop there and that a little flesh would soon be added to the skins and bones.

The coal question afforded a supreme example of economic anarchy, more especially during the years following the war. The different countries had been living upon the misfortunes of their neighbours. This was a policy which would benefit neither employers nor employed, nor consumers. There was now a desire to introduce a policy of international solidarity and co-operation.

Those who had drafted the resolution, after paying a tribute to the work accomplished by the Economic Committee, considered that the efforts made to remedy the situation should be continued, and, above all, co-ordinated.

The Economic Committee had not limited itself to dealing with the problem as a whole. It had also considered certain details. In its preliminary report, a declaration to the following effect would be found : " With regard to the third proposal — as to international action in the matter of wages and hours of work — we would, for the moment, only say that any intervention in this field would seem to fall within the scope of the International Labour Office and not of the Economic Organisation of the League of Nations ".

He hoped that this question would be studied separately in order that a more rapid conclusion might be reached and that a conference would be able to consider the problem in 1930. He also hoped that the International Labour Office would further its researches on this subject without delay. The Council, with this end in view, had been invited to request the Governing Body of the International Labour Office to place on the agenda for the International Labour Conference of 1930 questions relative to hours of work, wages and conditions of labour in the coal-mines. It might, therefore, legitimately be hoped that satisfactory results would be reached.

The preliminary technical conferences, including representatives of Governments, employers and employed from the principal coal-producing countries in Europe, were of the first importance. He hoped that they would continue to meet and had no doubt that they would be of considerable assistance to the International Labour Office in the study of the wages question.

The British delegation associated itself with M. Loucheur in asking that a Conference of Governments should be called to study fluctuations in prices and the disequilibrium existing between production and consumption.

In conclusion he would call attention to the dangers attending long discussions without results. The great mass of working people were inclined to think of Geneva as a remote meeting place of rhetoricians, whose deliberations had no direct bearing on their daily life. It was important to produce some tangible proof which would acquaint these masses with the ideals, conceptions and work of the League of Nations and to assure them that the deliberations at Geneva did indeed grind corn for them. He hoped that, one day, the working classes would understand that Geneva was a great international workshop, whose products were not merely negative, and tending to the suppression of war, but positive, and tending to establish a reign of peace. The working classes would have more confidence in the work of the League of Nations when they were convinced that the aim of its decisions was to raise the standard of living.

M. VAN LANGENHOVE (Belgium) said that the Belgian delegation agreed with the Franco-British proposal on the coal question. This problem was of the greatest interest to Belgium.

The Belgian delegation equally agreed with the Franco-British proposal regarding the tariffs problem and thanked the British and French delegations for having accepted the addendum of the Belgian delegation.

He explained the spirit in which the Belgian delegation had presented its addendum. There was a certain amount of impatience to see the League of Nations arrive at practical results, particularly on the Customs question. This impatience was a good sign. It emphasised the necessity of modifying the present situation in economic relations. This situation left much to be desired, particularly in Europe, and was in danger, if measures were not promptly taken, of becoming critical. Several European countries were already suffering from an industrial crisis entailing unemployment and from an equally disastrous agricultural crisis. This was due to the fact that Europe was economically in a very bad position. Its organisation, both as regarded agricultural and industrial equipment, was faulty. Moreover, Europe was divided up into a great number of States, whence the existence of every kind of barrier to economic relations between countries. The consequence was that the population of Europe enjoyed neither the prosperity nor the purchasing power which it ought to be able to attain.

Nor were European populations the only sufferers from this state of affairs. All producing countries were victims in turn, so that the European problem became, in effect, a problem of worldwide interest. Remedies could only be sought if all exclusive ideas were set aside and all feelings of hostility towards any nation whatsoever eliminated.

The International Economic Conference of 1927 had made a profound study of the ills to which allusion had been made. It had proposed remedies and the League of Nations had begun to apply them, but, although much interesting progress had been made, the results, taken as a whole, had not been sufficient and progress was not sufficiently rapid. It was therefore legitimate to ask, as Dr. Breitscheid had done in his report, if it would not be well to adopt new methods or at least to make more vigorous attempts. It was particularly in the field of Customs barriers and obstacles to commerce that this vigorous action was necessary. It was generally agreed that collective conventions were desirable. The agreement made a few days previously on the subject of the export prohibitions on hides, skins and bones was a proof that such conventions were possible. The experiment had been made in a limited field. It had, however, a great demonstrative value because the collective negotiation had, in this particular case, been of some difficulty.

The Economic Committee, whose efforts and competence were a subject of general congratulation, had, in the study of collective conventions tending to lower Customs barriers, proceeded with laudable prudence. It had undertaken studies of an experimental character, in the course of which it had met with obstacles. It was, however, to be feared that this method would entail long delays.

It thus became necessary to examine whether it would not be necessary to seek new methods. The problem should be considered in its wider aspects, and, instead of restricting the study to certain particular products, the whole question of trade should be examined, although attention would be concentrated at the outset on the countries where the situation was most difficult. The most urgent problem was that of trade in Europe, and, in order to proceed methodically and with a view to the facts, it would be necessary to classify the problems and to devote attention first of all to the most important and the most urgent.

Would it be possible to adopt, while keeping within the frame of a collective negotiation, the procedures and methods which were already customary in the negotiation of bilateral commercial treaties? These questions had been examined with care in the remarkable work of Sir Arthur Salter and M. Stoppani. He desired only to add on this point that, for such negotiations, a unification of nomenclature was indispensable. It was with this in mind that the Belgian delegation, following the suggestion formulated by the Rapporteur, had presented a resolution asking that the preliminary work of the Customs experts should be completed before the next session of the Assembly. If for this purpose it was necessary that the experts should prolong the duration of their sessions or even that they should sit almost permanently, he thought that such a sacrifice would be necessary. He was convinced that the experts would accomplish at Geneva more useful work than any they could do in their own countries, and that, if the Committee adopted the resolution presented by the Belgian delegation, the necessary credits ought to be obtained.

It was evident that the proposed work would take several years. It was, therefore, necessary that during this time the present situation should not be modified. Thence arose the idea of a Customs truce, the extent of which had been defined by the representatives of France and Great Britain. He insisted that it would be necessary to maintain the present situation and not any new situation which might be created at the moment when the truce was signed.

New economic armaments had been prepared and they must not be allowed to leave the Customs arsenals where they had been manufactured. The present moment was favourable. Immediate action was therefore necessary.

M. COLIJN (Netherlands) said that he did not intend to dwell on the more general aspects of the economic situation. As Dr. Breitscheid had rightly stated, it must be admitted towards the end of 1929, that no movement had yet occurred in the direction proposed by the Economic Conference of 1927. This was a deplorable result. The world was very much in the same position as when the Conference had met. This result was the more disheartening in view of the warm approval of the recommendations of the Conference by many countries as well as by the Council and the Assembly. He had in his hands a document issued by the Secretariat containing the official recommendations of the Economic Conference, and there he found declarations by twenty-nine countries giving their approval and support to the recommendations of the Conference. In addition, there was a declaration in the same sense by the Council in June 1927 and by the Assembly in September of that year, trusting that the Governments which had not yet declared their support would shortly be able to do so. All these fine words had proved to be nothing but "hot air". Whatever progress there might have been at first, it had not only been entirely arrested, but events were running in the opposite direction. These facts had caused great disappointment and had provoked a strong reaction. He would refer to the speech made by M. Trygger in the Assembly recently, stating that, if such a position were to continue, the action of the League in regard to economic questions would be gravely compromised, since the commercial policy pursued by one State necessarily depended on the policy of other States in their mutual relations.

It was almost impossible in the long run for a few countries to follow the lofty principles laid down by the Economic Committee if they were ignored by the majority. If all countries were going to work out their own salvation, or what they thought to be their own salvation, they would enter an extremely difficult period and the desired prosperity of Europe would not only be postponed but would become more difficult than it already was.

Commerce was a matter of international concern. This conviction was shared by many countries. He thought, for that reason, that the present situation could not possibly be

accepted as final. It was impossible to accept defeat. It was necessary to continue the campaign and to keep the aims of the Economic Committee constantly in view. Many hints had been thrown out, and many suggestions had been made. First of all, there was the suggestion of a European State. He would like to quote what Mr. Graham had said at the meeting of the Assembly on September 9th :

“ The question arises, however, whether there might not for the moment be other methods which would bring Europe nearer to a greater freedom of trade at an earlier date, and more likely to achieve swift practical results.”

He would affirm his interest in the far-reaching idea suggested by such eminent statesmen as M. Briand and Dr. Stresemann, but he believed that such a matter required very careful preparation before it was even discussed.

Another suggestion had been that of an association between a certain group of countries in or out of Europe for the purpose of arranging for low tariffs. He saw great difficulties in that proposal, perhaps insurmountable difficulties. But, all the same, he would like the proposal to be examined. In view of the present poverty of ideas none must be lost. The examination of such an idea would take a good deal of time and could certainly not take place during the present Assembly ; indeed, a careful investigation of such general suggestions could never take place during an Assembly meeting or at an Assembly Committee. The work would have to be carefully prepared, and the body to do the preparatory work was, in the first instance, the Economic Organisation of the League. If the Committee wished to follow up one or more of these general suggestions, the only thing to do was to recommend the Assembly to adopt a resolution instructing the Economic Organisation of the League to examine them. On the completion of such an examination, a report could be drawn up and submitted to the Council of the League at one of its sessions in 1930. It might then be possible, at the Assembly in 1930, to have a preparatory discussion of these intricate problems.

With regard to the proposal made by M. Hymans and Mr. Graham that there should be a Customs truce he appreciated the objections that Dr. Breitscheid had brought forward ; but the work ought to be done in a quiet atmosphere. Peace treaties could not be made when the guns were roaring, and useful negotiations on tariff matters could not proceed as long as tariff hostilities were proceeding. He hoped the Committee would pass the French and British resolution.

The Economic Conference had declared that the time had come to put an end to the increase in tariffs and that a move should be made in the opposite direction. He thought they should concentrate on this problem.

With regard to those countries which had low tariffs and suffered from the high tariffs of their neighbours, he did not think it advisable to go beyond the time-limit of two years for the truce. He thought that one year might be better still, provided that a prolongation of time was made easy. The tariff holiday would have to be fixed by the Governments themselves. He thought the matter would be greatly facilitated if Governments would morally bind themselves not to raise tariffs during the deliberations about the holiday itself.

He attached very great importance to the work that was being done by the Economic Committee with regard to a unified nomenclature for tariffs.

He entirely agreed with, and wholeheartedly supported, the resolution submitted by the Belgian delegation that the work of the Committee of Experts for the Unification of Customs Nomenclature should be completed before the meeting of the Assembly in 1930.

He supported the resolution concerning coal, although he confessed that he had no very great hopes of its result, especially as far as the equalisation of wages was concerned.

Referring to the intention to put before the Committee a resolution concerning sugar, he would observe that it was not possible to speak on a resolution which was not yet before the Committee, but he asked permission to say a few words as he had to leave Geneva before the Assembly finished. He himself was not in favour of convening a conference on sugar. The Economic Committee had been entrusted with the study of the question. It had drawn up a concise but substantial report, and had come to the conclusion that the difficulties would either remedy themselves or be remedied by private action. Should the Committee declare that, notwithstanding the opinion of that highly capable body, the time had come for Governments to act? The answer of the Economic Committee had been in the negative, and so was his own. In his opinion, a conference could do nothing but beat the air. He would wholeheartedly welcome a revival of the Brussels Convention.

Mr. McDougall (Australia) said that there were two main points he desired to bring before the Committee. The report of Dr. Breitscheid stated that the Economic Conference desired, as a means of obtaining international co-operation, the gradual elimination of barriers of every kind and, in the first place, of Customs barriers. It seemed to him that such a statement illustrated the tendency, rather marked at Geneva and one or two other places, to suggest that the League of Nations stood for a definite economic policy of free trade and further to suggest that tariffs imposed for protective purposes were against international ideals.

The League was an association of States of which the majority used their tariffs in greater or less degree for protective purposes. The younger and less industrialised countries, if they were to develop industrially, believed that they must either utilise tariffs or some analogous methods in order to maintain their young industries in the face of competition. He must respectfully submit that the tendency to regard tariffs, as such, as being contrary to the spirit of the League of Nations was one which might cause some offence to the majority of the States Members of the League. It was, moreover, quite impossible to interpret the resolutions of the World Economic Conference exactly in the sense of the words of the draft report. Both the discussions leading



to the resolutions and the resolutions themselves made it clear that the World Economic Conference aimed, first, at improving the European situation, made very insecure by the new political frontiers resulting from the war, and, secondly, not at the elimination of Customs tariffs, but at the substitution of a movement for the lowering of tariffs in place of the movement towards their increase. The objective was to avoid excessive tariffs and tariffs hampering international trade. The statement in the report to which he had referred should be modified in this sense.

It would be just as well if the Committee were clearly to realise that the scope of the joint resolution on tariffs was primarily European. The younger overseas countries, now in process of developing their industries, must retain their freedom of action to adjust their tariffs so as to enable them to carry on the forward movement of their industrial development. In this connection, he echoed the words of the first Australian delegate recently in the Assembly. None of the younger overseas nations represented on that Committee had any desire to hinder what the leaders of European economic might conceive to be the best possible method of remedying the European situation, but he begged the Committee to realise the fundamental difference between the European position and that of the younger overseas nations ; and, in so far as the latter might not find themselves able to associate themselves with the resolution, he hoped it would not be regarded as signifying any lack of interest in the economic work of the League.

The Australian delegation had submitted for distribution the two following draft resolutions :

*Economic Intelligence Service.*

“ The Assembly,

“ Impressed by the importance of the work of the League in keeping the world informed of the progress of economic events, and

“ Believing that, as a result of the application of the Convention relating to Economic Statistics and the recommendations of the Statistical Conference and of the Economic Consultative Committee on this subject, the provision of improved economic information, and, in particular, of more complete statistics relating to industrial production, may confidently be expected ;

“ Requests the Council to consider the possibility of arranging for the preparation in the near future of a comprehensive annual survey of economic developments and for collection, by the Economic Organisation, of all the information required for this purpose.”

*Information relating to Monetary and Central Banking Laws.*

“ The Assembly,

“ Expresses its warm appreciation of the generous offer of the Rockefeller Foundation to pay for the preparation and publication of a Collection of Monetary and Central Bankings Laws of the World and resolves that this collection be subsequently kept up to date by the Economic and Financial Organisation of the League of Nations.”

He would, in submitting these resolutions, recall that Mr. Graham, in his speech to the Assembly, had protested against economic pessimism. Personally, he believed that such pessimism was due to confining the vision to the static limits of unimaginative economics, whereas the achievements of the modern biologist, the chemist, and the engineer, should teach a steady optimism. The food and raw material resources of the world could be utilised to support a greatly increased population but the failure arose in the organisation of economic resources, such failure being primarily due to lack of knowledge and to the virtual impossibility of finding any source of really reliable information on the world situation. The standards of living were dependent upon the wise use of the world's resources and upon its accumulated savings. To-day it was difficult or even impossible to obtain the data on which the assessment of comparative advantages should be based. Fuller data were required by all as to the various factors which entered into the cost of production—namely, wages, prices of materials, cost of transport, interest charges and questions of taxation. He looked forward to the day when there would be an international economic intelligence service which would supply in comparable form information on all these points. But progress toward such an objective must necessarily be slow and conditioned by the progress and uniformity of national statistics. An important step forward had been taken through the work of the Economic Organisation, whose intelligence service was worthy of high praise. The International Convention on Economic Statistics should result in a simplification of the task confronting the Economic Organisation of the League of Nations.

The two draft resolutions which he had presented were designed to increase the value of this aspect of the League's work. The first requested the Council to arrange for a comprehensive annual survey of economic developments. This he believed to be entirely in harmony with the ideals of the World Economic Conference. The second resolution was designed to carry further the work which had been begun with the very generous gift to the League by the Rockefeller Foundation. This gift was intended to pay for the preparation and publication of information relating to the monetary and banking laws of the world. It was most desirable that this work, having once been published, should be kept up to date.

He felt sure that those two resolutions would receive the support of the entire Committee. In conclusion, he would urge that the most certain method of ensuring economic progress was to enable all nations to view their own economic problems in true perspective and in a spirit of enlightened self-interest.

M. LAKATOS (Hungary) warmly approved the idea of lowering tariffs and supported the Franco-British resolution.

Hungary was situated in that part of Europe which suffered the most from exaggerated Customs tariffs. She had been forced to raise her tariffs in order to follow her neighbours, but since 1924 she had already made great efforts to reduce her tariffs by means of bilateral treaties. In order to be able to continue in this direction, it was necessary that other countries should adopt a similar Customs policy.

He would ask for certain explanations on the subject of the barriers to commerce referred to by M. Loucheur. Was it proposed simply to forbid any rise in tariffs by the conclusion of new bilateral treaties on the basis of higher duties, or did the truce mean that it would not be possible for a Government to repeal an existing bilateral treaty because its repeal would raise the duties by bringing into action the most-favoured-nation clause?

If the resolution only forbade the raising of autonomous Customs tariffs, Hungary would willingly adhere to the proposed Customs truce, wishing to prove in this matter her desire to collaborate for the economic peace of the world.

Mirza Hussein Khan ALA (Persia), in a note read by the CHAIRMAN, declared that he agreed with the statements of the Australian representative, adding that the economic conditions in his country were similar to those of Australia, and that, while hoping that every effort would be made by the League of Nations to remedy the position in Europe, he was obliged to reserve the right of his country so far as the interests of her national industries were concerned.

M. BORGBJERG (Denmark) said that the Danish delegation warmly supported the Franco-British and Belgian resolution.

Denmark, as a free-trade country, was much interested in a rapid solution of this question, which was of the first importance to the whole world. Free trade was of advantage to Denmark, which had developed its agriculture with a view to exportation, and all other countries would benefit by similar advantages when they had decided to abstain from raising their protective tariffs to a higher level than that at present maintained, or when they had decided to lower them.

The Danish delegation, composed of representatives of all political parties, had unanimously decided to support the resolution.

The CHAIRMAN noted that there was no opposition to the motions presented by the French, British, Belgian and Australian delegations. A Drafting Committee would therefore be formed to prepare, if possible, a final report.

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## FIFTH MEETING

*Held on Saturday, September 14th, 1929, at 9.30 a.m.*

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*Chairman: M. MOTTA (Switzerland).*

9. **Economic Work of the League of Nations : Proposals before the Committee. — Sugar : Draft Resolution presented by the French Delegation. — Execution of Foreign Arbitral Awards: Draft Resolution presented by the Belgian Delegation. — Treatment of Foreigners : Addition to the Third Resolution in Dr. Breitscheid's Report: Proposal by the Austrian, German and Italian Delegations. — Trade in Agricultural Products : Draft Resolution presented by the Yugoslav Delegation.**

The CHAIRMAN said that the following draft resolutions had been distributed :

*Sugar: Draft Resolution proposed by the French Delegation.*

“ The Assembly :

“ Noting that the Economic Consultative Committee, at its session in May 1928, adopted a proposal by the Belgian delegate for the institution of an enquiry into the sugar question, and that the Economic Committee, at its session in July 1928, decided to collect all useful information on that question :

“ Is of opinion that, as the outcome of the enquiry conducted by the Economic Committee, the League of Nations is now in possession of sufficient material to enable it to seek a solution of the problem, and

“ Requests the Council to examine such recommendations as the Economic Committee may put forward in regard to the present difficulties in the sugar industry, especially price fluctuations and the existing disproportion between supply and demand, and to summon a meeting of representatives of the Governments concerned to study those recommendations.”



*Execution of Foreign Arbitral Awards: Draft Resolution submitted by the Belgian Delegation.*

“ The Assembly :

“ Noting that the Convention on the Execution of Foreign Arbitral Awards, opened for the signature of the States by the Assembly on September 26th, 1927, has up to the present been ratified by only five Governments :

“ Draws the attention of all States which are contracting parties to the Protocol of 1923 on arbitration clauses, to the desirability, from a practical point of view, of their also signing and ratifying the 1927 Convention, as the latter supplies an important deficiency in the 1923 Protocol.”

*Treatment of Foreigners: Addition to the Third Resolution in Dr. Breitscheid's Report:  
Proposal by the Austrian, German and Italian Delegations.*

“ The Assembly :

“ Expresses also the desire that the Economic Committee should obtain information as soon as possible which would enable the Council to decide whether, in what form, and to what extent, the problem of the admission of foreigners might usefully be considered by the Economic Organisation of the League of Nations.”

*Trade in Agricultural Products: Proposal by the Yugoslav Delegation.*

“ The Assembly :

“ Desirous of aiding as effectively as possible international economic co-operation in so important a sphere as the trade in agricultural products ;

“ Notes with satisfaction the progress made by the Sub-Committee of Experts with regard to veterinary police measures in investigating the guarantees which the countries interested might grant to international commerce, particularly as a result of the organisation of their veterinary services, and the publication of their health bulletins on the lines proposed by the experts and communicated to the Governments ;

“ Expresses the desire that the Sub-Committee's work should be actively pursued with a view to the framing of definite proposals to facilitate the export of cattle and animal products, if possible by means of a collective convention, regard being had both to the interests of the exporting countries and to the desire of the importing countries to protect their live-stock against the dissemination of disease.”

**10. Economic Work of the League of Nations: Examination of Dr. Breitscheid's Report (continuation).**

M. FIERLINGER (Czechoslovakia) emphasised the interest which his country took in economic questions. M. Beneš had already defined the attitude of the Czechoslovak delegation towards them. All the delegates were still under the influence of the idealist speeches of M. Hymans and M. Briand in the Assembly. Dr. Breitscheid's report on the economic work of the League had given a general view of all the economic problems. Like the speeches made in the Second Committee, it revealed the difficulties which would have to be overcome, but he was sure that a collective effort would result in success. His confidence was based upon the League's ten years of experience. The practical good sense which underlay the draft resolutions submitted seemed to him to augur well. Czechoslovakia followed with sympathy the steady development of the idea of closer economic relations between the nations, especially the European nations, which, owing to their geographical situation, were grouped into a certain community of interests which called for a widening of the economic sphere so as to allow of a more rational production. The chief argument of the protectionists in overseas countries was the great disproportion between conditions of living and labour in Europe and America. As European countries succeeded in improving the conditions of life and in raising the wages of the mass of the people, this difference would tend to disappear. But a prerequisite of such progress was an increase and rationalisation of production.

On the continent of Europe, too, protectionist tendencies had been encouraged by different conditions of labour and production. If some countries had wisely resisted the protectionist movement in spite of high wages, it was because they possessed considerable resources which other countries, impoverished by the war, lacked.

At the suggestion of industrial circles and of the International Labour Office, statistics had been collected comparing wages and the cost of living in the different European countries with a view to determining the level of real wages. To-day, however, the organisation of a larger service of scientific research into the conditions of production and social conditions was needed. On the basis of the information furnished by such a service, it would be possible to realise the legitimate character or otherwise of the protection which certain industries enjoyed. Mr. Dalton had emphasised the importance of this aspect of the problem in connection with coal. The facts were equally true in the case of sugar, and he would like to see these enquiries, which aimed at a more rational distribution, extended to all branches of industry. Such studies were not, as might be thought, merely academic. There was a close analogy between economic disarmament and the disarmament provided for in Article 8 of the Covenant. Disarmament was hindered by existing armaments and protectionist tariffs. A more serious obstacle, however, was the question

of security, on the one hand, and the artificial economic structure of the continent of Europe, on the other. The economic structure of countries had been modified by improvements in the welfare of the inhabitants, and many industries whose extinction had seemed to be imminent had received a fresh lease of life, thanks to the opening up of home markets.

He was pleased to note that in some countries protectionist tendencies were beginning to be less pronounced. Tariffs were still very high, but industry was realising the futility of exaggerated protectionism. On the other hand, agriculture was beginning to demand duties on agricultural products on the strength of the protection granted to industry. It was the demands of industry which had created agricultural protection. This was at the moment the great problem confronting Czechoslovakia.

Industrial protection seemed to have reached its culminating point, and there were signs of a movement in the opposite direction. This would result in more favourable conditions for agriculture, which could thus dispense with the measures of protection it was now claiming. This return to more normal conditions would be greatly accelerated by the political and administrative consolidation of the whole economic machine, particularly in new countries. He did not think his optimism was excessive and he hoped that this desirable development would be encouraged by joint action and active free-trade propaganda. Bilateral commercial treaties had always been a powerful means of reducing Customs tariffs and of bringing about closer economic and political relations between States. The most-favoured-nation clause had done a great deal to diminish the effects of mercantilism in Europe before the war. Therefore, the valuable assistance of bilateral commercial treaties must not be neglected. This did not exclude the expediency of superimposing upon this system a larger edifice to be constructed by all those who were willing to add their efforts to those of the League of Nations.

The Franco-British resolution aimed at establishing a kind of temporary Customs truce. This truce should constitute a first step towards a closer union between States through the stabilisation of existing tariffs. At the same time, each country should preserve its Customs autonomy so as to be able to conclude commercial treaties in which the duties should not exceed the level of the tariffs thus stabilised. Minimum tariffs would thus become maximum tariffs, at any rate in the relations between the members of the group adhering to the truce, and each country would be automatically impelled to forge for itself a new economic weapon for negotiation with other States ; that was to say, it would create a new minimum tariff, which would be a very useful result.

Another fact of importance about this truce was that it would be difficult to denounce. Thus it might be hoped that by degrees the excessive economic individualism of European countries might be lessened.

Another proposal in the Franco-British resolution sought, by means of collective negotiations, to lower the maximum level of Customs tariffs. In this matter too hard-and-fast rules must not be laid down and every member of the group should be permitted to put his case before whatever body was instructed to prepare the convention. There were certain exceptions which the circumstances and special situation of one or another State might justify. There was even reason to fear that these exceptions would be very numerous and that the negotiations would be difficult, since they would involve the framing of a multilateral tariff convention. He shared Dr. Breitscheid's scepticism and even thought that, in practice, it was desirable not to go below the level established by the automatic play of the most-favoured-nation clause. Every effort must, however, be made to achieve success, especially as such a convention would tend to lessen the economic individualism of European countries and gradually to realise the Pan-European ideal which was now in the air.

The Customs truce would have another advantage in that, at every renewal of the pact, it would be possible to lower tariffs because, in the interval, the most-favoured-nation clause would have had its effects and every country would continue to negotiate with other States to obtain concessions.

Owing to the complex nature of the negotiations for a multilateral agreement, it had been thought that these negotiations might relate to certain groups of commodities and that in this way certain countries interested in these commodities and adhering to the truce would automatically seek an agreement with one another with regard to a general plan. These countries would form a nucleus round which the others would group themselves and which would finally comprise all the signatories to the truce.

The resolutions concerning coal and sugar recommended a new study of the question. The Economic Organisation, however, had apparently done everything humanly possible to solve the existing difficulties. Czechoslovakia, for whom both these problems were vital, had participated in the Committee's work and was prepared to continue to take her share in the broadest spirit of co-operation.

The resolution submitted by the Yugoslav delegation on the exchange of agricultural products embodied an excellent idea, which the Economic Organisation had already considered and which it should pursue to the end. A good general veterinary convention might greatly facilitate relations spirit between agricultural countries.

The Czechoslovak delegation thought that the various ideas expressed could be reconciled. They constituted a single vast problem, the different parts of which should be attacked simultaneously in the hope of making a breach in the fortress of exaggerated protectionism and economic individualism erected by European countries.

Czechoslovakia would be happy to participate in the preliminary conference mentioned in the Franco-British resolution.

M. STUCKI (Switzerland) said that, subject to the necessary reservations due to the fact that the Swiss Government had not been able to examine the extremely important and complicated

questions upon the agenda of the Second Committee, he proposed to indicate briefly the Swiss delegation's attitude towards the proposal for a Customs truce, which was, at the moment, by far the most important among those which had been raised.

The Swiss delegation welcomed the spirit in which the Franco-British resolution was submitted and would vote in its favour.

As to the proposal to call a new conference on coal, the feelings of a purely consuming country must differ slightly on this subject from those of a producing country. Switzerland would continue to follow this work with the greatest interest and would have confidence in the declarations, often repeated, that since the coal question was to be dealt with under the auspices of the League of Nations, the interest of consumers would be in no way neglected.

As regards the sugar question, M. Stucki supported the arguments put forward by M. Colijn. His attitude was not dictated purely by the interests of consumers. It was based upon the fact that the Economic Committee in its report had arrived at an entirely negative conclusion as regarded collective action on the part of States. He recognised that consuming countries had neither the power nor the intention to prevent producing countries from coming to an agreement among themselves, but he did not think that the sugar problem should be placed under the auspices of the League of Nations.

He had been struck by the proposal presented at the previous meeting by M. Loucheur for the creation of an agricultural sub-committee attached to the Economic Committee of the League of Nations. Dr. Breitscheid in his report had only mentioned the recommendation made by the Economic Consultative Committee that such a sub-committee should be formed, but M. Loucheur had criticised this rather negative suggestion and had asked that the Second Committee should in its report take up a positive attitude in this matter by pronouncing itself in favour of the creation of the sub-committee.

Far from opposing agricultural interests, he did not believe that it would be possible for the Second Committee to take up such a position with regard to a problem which was at present being discussed before the Council and before the Economic Committee. The Council, after a preliminary examination, had referred the question to the Economic Committee to be studied and reported upon and had asked the Economic Committee not to take a decision before having consulted the President of the International Institute of Agriculture at Rome. For this reason he did not think that the Second Committee should adopt M. Loucheur's proposal.

The Franco-British proposal raised serious problems which, for lack of time, he would not touch upon. He would only refer to that point which had been called the strategic key to the economic activity of the League of Nations : the relations between States which were parties to a collective action and States remaining outside this collective action. This point had been raised by the Minister for Foreign Affairs of Belgium at the Assembly. It had also been mentioned in Dr. Breitscheid's report and had been discussed at length for nearly fifteen months during different sessions of the Economic Committee.

It was evident that, since the League of Nations was not a super-State, collective action on the part of the States which belonged to it could take the form either of resolutions and recommendations — and he was exceedingly sceptical as to the results of such action — or of Conventions.

There was no doubt that no economic problem existed in connection with which it was possible to rely upon the adherence of all States Members of the League of Nations to a plurilateral Convention. Several representatives of overseas countries had, at the last meeting, already made significant declarations to this effect and he entirely understood their point of view. He agreed with M. Fierlinger that certain States of the European continent were in the same situation. He did not think it possible to count, either for a Customs truce, for collective action relating to the lowering of Customs barriers, or for a veterinary agreement or for any other economic question, upon the participation of all States, or even upon that of all European States.

What then would be the relation between contracting States and States which for better or worse reasons, but for reasons of which they themselves were only entitled to judge, remained outside the agreement?

Before the war — and, generally speaking, this was still the case — relations between States in economic matters had been regulated to a great extent by the play of the most-favoured-nation clause. It was interesting to note that, before the war and at the present day, there were countries with a liberal policy which defended an unconditional and unlimited application of the most-favoured-nation clause. Certain countries, whose system was rather less liberal, opposed the unconditional and unlimited application of the most-favoured-nation clause with an equal conviction. Finally, there were countries of medium or small importance — he was thinking particularly of his own — which for the last thirty or even fifty years had defended the unconditional and unlimited application of the clause in question. He agreed with M. Fierlinger in considering that the application of the clause had rendered great services to the cause of economic demobilisation.

But here the question arose whether, in practice, a change of conception did not become necessary from the moment when, under the auspices of the League of Nations, collective action between States was undertaken. Indeed, the Economic Conference of 1927 had insisted — and the Swiss delegation was the first to support this recommendation — on the necessity of the unconditional and unlimited application of the most-favoured-nation clause. But the International Economic Conference had no less warmly recommended plurilateral economic action by the League of Nations. The experience of the last two years had shown, however, that at a given moment one of these two recommendations of the Conference was in danger, not only of running counter to the other, but of directly opposing it.

He would illustrate his argument by taking a purely theoretical example.

Let it be supposed that there were in Arcadia producers of certain commodities, plants, for

example, and that these cultivators considered, that their plants were the best in the world. They opposed the import of foreign plants ; but they were themselves particularly anxious to export. Their attitude, however, was rather trying for the producers of neighbouring countries who, on their part, were also anxious to cultivate good plants and would, moreover, be glad to export them to Arcadia. Let it further be supposed that all the countries bordering upon Arcadia joined in concluding a plurilateral Convention to facilitate their trade in plants. Arcadia was invited to take part in elaborating a Convention for this purpose, but she declined the invitation, adding, however, that the question was of interest to her. The Convention was signed, and Arcadia was delighted because she had, with all those who had adhered to the Convention, a commercial treaty giving her the benefits of the most-favoured-nation clause. She believed, therefore, that she would profit by the advantages to her export trade which the Convention conferred, while remaining her own mistress as regards importation.

But it was unlikely that the States would be disposed to accept this fool's bargain, and Arcadia's neighbours would probably consider two solutions ; either Arcadia would desire to take advantage of the benefits of the plurilateral Convention, and the contracting States would be perfectly ready to accept her adhesion, or she would not desire to undertake any obligation, and in that case she would continue to live under the same régime as before. She would retain the benefits of this régime, but she would not be granted the benefits which ensued from adhesion to the plurilateral Convention.

Such was the problem which nearly always arose when the economic activity of the League of Nations came to be examined. It had arisen when the Convention on Prohibitions had been discussed. It had arisen again when the questions of hides, skins and bones had been examined — a small question, but one of the greatest importance, as it provided a basis for later economic activity.

He considered that this question had a moral aspect and a legal aspect. He would first discuss the moral point of view. Would not representatives of Arcadia, working with the representatives of other countries at Geneva, be a trifle embarrassed in claiming for nothing the advantages accruing to other nations through their signature of a plurilateral Convention in which Arcadia had taken no part? Very few countries would have the courage to claim the benefits of such a legal right. Generally speaking, the States would either accept the inherent obligations of collective action, and in such a case they would claim the benefits involved or, refusing to bind themselves, they would loyally renounce any claim to the benefits. For many countries, therefore, the question would be solved clearly upon this moral aspect.

But there was a legal side. The Economic Committee, after careful examination, had established a standard text for the most-favoured-nation clause. This clause had so far been inserted only in two commercial treaties, while in other bilateral treaties the texts varied a great deal, so that it would be impossible to settle the legal question in a general manner. But the opinion generally accepted seemed to be that the League of Nations had no mandate allowing it to interpret existing treaties. It was for the contracting parties to interpret such treaties.

But from a legal point of view another question arose, and it concerned to some extent the moral question which he had just been considering.

In civil law, some modern legislations refused to admit the abuse of a right, however formal. According to these legislations, when a person was attacked by another person, even if the latter based his attack upon a strict legal right — but a right which in no way corresponded to the spirit of the law — the defendant benefited by what was called by jurists, the *exceptio doli generalis*. He did not think that, generally speaking, it was proposed to apply the doctrines of civil law to relations between States. However, a State which, like Arcadia, claimed the benefits of a plurilateral agreement to which it was not a party, simply by basing its claim upon the most-favoured-nation clause, might find itself opposed by the *exceptio doli generalis*.

Such were the questions which arose where collective economic action was concerned. In his opinion the old conceptions should now be modified. Countries which until now had claimed the unconditional and unlimited application of the most-favoured-nation clause should consider whether there were not now certain new elements modifying conceptions which, for many years, had been considered sacrosanct.

He was glad to be able to state that international law had already made a beginning in the matter. In two days a new commercial treaty, established between France and Switzerland, would come into force. A big country had agreed with a little country to insert in this treaty a stipulation which, in his opinion, merited the Committee's attention. The two contracting parties mutually accorded each other the benefit of the most-favoured-nation clause with certain classical reservations, such as the Customs union, frontier traffic and certain other special cases. The favours, however, which one of the High Contracting Parties might concede to other contracting parties by plurilateral agreement, concluded under the auspices of the League of Nations, were excepted from this treatment where it concerned an agreement to which the contracting party had not wished or had been unable to adhere.

This formula was roughly that which the Economic Committee had inserted in the report to the Council and to the Assembly. By this formula, all abuses might be avoided. It was clear that, if the possibility were admitted that two, three or four States might conclude among themselves a plurilateral economic convention permitting them to refuse to other States the benefit of the most-favoured-nation clause, all kinds of abuses might arise and there might even be coalitions of several States against a single State. Therefore, according to the formula adopted, the plurilateral agreement must be one concluded under the auspices of the League of Nations.

There was yet another very important guarantee. It was quite possible — and the case was not a theoretical one — that a State with a very liberal régime might be unable, for reasons of an internal nature, to participate in a collective agreement. In such a case, could the contracting parties refuse to the liberal State in question the treatment accorded under the most-favoured-nation clause? He did not think so. The formula provided for such a case by saying that the treatment of the most favoured nation could not be refused to States which, without being parties to the plurilateral agreement, practised it in effect. There was also another formula according to which the benefits of the most-favoured-nation clause could not be refused to States which, without being parties to the plurilateral agreement, “ accorded a fair treatment to commerce ”. In his opinion these formulæ dealt in advance with all kinds of difficulties.

The case might arise, however, where certain States which did not accord fair treatment to commerce and which would not participate in a collective action, might nevertheless claim the benefits of such action and would be legally entitled to do so. A solution must be found which would prevent this. The problem was an extremely difficult one, but its solution might be decisive for the future activity of the League of Nations in economic matters.

Mr. O’SULLIVAN (Irish Free State) said he wished to refer to a point which, in his opinion, had not been sufficiently stressed at the last meeting. The Australian delegate had alluded to the situation of industrially under-developed countries, but had avoided drawing the logical and necessary conclusions, on the plea that this was mainly a European problem. But these problems were not solely European problems ; they were worldwide. He would further call to mind that, in the report of the Economic Consultative Committee, it had been said that the reservations which certain under-developed nations, which desired to protect their commerce, might make, should be taken into account. Yet what suggestions of a practical nature had the League of Nations hitherto presented to nations whose industrial economic development was in its infancy? The truth was that, so far, it had merely asked them to deprive themselves of their only means of protection.

After having paid tribute to Dr. Breitscheid’s report, Mr. O’Sullivan called attention to certain points in that report. One of these points had already been touched upon by Mr. McDougall. It was true that absolute free trade was not formally the doctrine of the League of Nations but he was nevertheless of opinion that, in practice, the drive in certain quarters was towards full free trade. There was therefore some justification for Dr. Breitscheid’s description of the ideals of the Economic Committee. Full free trade was not the expressed policy of the Economic Conference, but there was ground for suspecting that it was the ultimate goal.

On the subject of agricultural problems he did not think that the agricultural world would be greatly comforted by the statement that there had been much discussion of them at the Economic Conference. The only practical result had been that the Economic Committee had been invited to examine whether it was not desirable to begin investigations relative to the agricultural crisis — a very modest achievement two years after the Economic Conference had called attention to the basic importance of this industry. The League could not here be accused of undue haste.

On the understanding that it was not a question of technical agricultural experts but experts in agricultural economics, he welcomed the proposal that such experts should be appointed to the Economic Committee.

He admitted that much had been done for the simplification of the Customs nomenclature, for statistics and for the drafting of the most-favoured-nation clause. However, in spite of the opinion which M. Stucki, the Swiss delegate, had expressed, he thought that, if there was a discrepancy between the idea of multilateral agreements and that of the most-favoured-nation clause, it was because the evil had not been attacked at the root, which, in Europe, lay in discrimination. The opposition between the two ideas rose purely from that circumstance and all that had been done up to the present was to try to arrive at a compromise between two entirely different aims. The economic organ of the League of Nations had not dealt with the problem. It was trying to sit on two stools. As long as tariffs continued to be used for bargaining, there could be no economic health in Europe.

He was in favour of the idea of a conference which would be less academic than the previous one and which would include responsible representatives of Governments. The experts of the last Conference had not had authority to act for their Governments.

Mr. O’Sullivan then turned to the resolution presented by the British and French delegations. He had found difficulty in interpreting the relation existing between paragraphs 4, 5, and 6 of the resolution. Paragraph 4 proposed the meeting of a conference of Governments and paragraph 5 the conclusion of an economic armistice. He would ask : What was the relation between these two ideas? Was paragraph 5 the principal and necessary condition of paragraph 4? In other words, would it be necessary, in order to be admitted to the conference of Governments, to have undertaken not to raise tariffs? To his mind, the draft as it now stood was open to this interpretation. If such were the case, he would presently draw his conclusions, but if, on the contrary, paragraph 4 were the most important, it would be necessary to revise the resolution. He believed that if an attempt were made to exclude certain Governments from a conference called by the League of Nations to deal with a matter which vitally affected their interests, the League would be dividing its members into two groups. In one group would be found nations which had reached an advanced stage in industrial development and, in the other, nations which, by reason of their economic situation, could not pledge themselves not to raise their tariffs. He could not associate himself with any resolution which would exclude such nations, because such a resolution would not only fail to be progressive, but would be a step in the wrong direction.



The Australian delegate had said that this was a question which concerned Europe. He therefore asked whether this measure was the first step towards a United States of Europe. If so, he believed that the problem was such a vast one that much more thorough investigations would be necessary than had yet been made. If the overseas countries considered that they could adopt the resolution because the problem only interested Europe, he, as delegate for the Irish Free State would be unable to join them. He was quite alive to the ills that might follow upon protection, but he would point out that, in his country, protective tariffs were as low as possible and that they were only imposed where they were absolutely necessary to safeguard national industry.

If the League of Nations could do no more than suggest the abolition of protective tariffs, the Irish Free State could not give her assent to that doctrine which was purely negative. He admitted that high tariffs might be used for bolstering up inefficiently managed and unsuitable industries, and that they tended to raise the cost of living. His country was fully alive to this danger, and it was only after thorough examination by a special commission of each tariff proposal that a new tariff was imposed.

He agreed that no country could be self-sufficing. But the suggestion now being made to States whose economic and industrial development was in its infancy, that they should renounce protective tariffs, was neither more nor less than an invitation to commit economic hara-kiri.

His Government could not adhere to paragraph 6 of the resolution, which required that Members of the League of Nations and non-Member States should intimate to the Secretary-General of the League at an early date whether they were prepared to take part in a preliminary conference of Government delegates with a view to the conclusion of the proposed agreement for an economic armistice. The Customs Tariffs Commission of his country had received a certain number of proposals for the imposition of new tariffs and the Government was pledged to apply these if the Commission decided in their favour. The Irish Free State could not therefore adhere to the Customs truce; nor did the Government in such a matter feel justified in tying the hands of its successors. Finally, he hoped that the Committee would hesitate before adopting the proposed solution. He objected to it on its merits. It would moreover be contrary to the spirit of the League of Nations, as in practice it seemed to aim at excluding from general deliberations, in the results of which they were deeply interested, certain nations, for the simple reason that their economic situation did not permit them to pledge themselves not to impose fresh tariffs.

M. Suvich (Italy) emphasised the importance of the debate. The reservations which had been formulated and the doubts which had been expressed on the part of several delegates showed that the question which occupied the Committee was extremely complex and that there were several points which still required explanation.

He was not yet in a position to state the point of view of the Italian delegation, for the question was exceedingly complicated, giving rise to a number of problems each of which required careful study. He thought, however, that it would be useful to express at once certain ideas and make certain observations.

Everyone seemed to be agreed upon the usefulness — one might almost say, the essential character — of the aims set forth in the Franco-British proposal. His time would be best employed in considering the difficulties involved in order that they might be met and overcome. He was of opinion that it was best to confine the discussion to the problem of Customs tariffs. Difficulties would be multiplied by putting forward vague and numerous aims, and there would be a danger that the public at large might get the impression that the failure of the Economic Conference of 1927 was admitted, whereas all efforts to-day still pointed towards the realisation of the principles laid down by that Conference.

Several of the recommendations of the 1927 Conference had been applied with remarkable results: that was sufficient to prove the value of the methods adopted.

The question which arose to-day concerned one point — and it was really the essential point — of the recommendations of the 1927 Conference. In regard to this point not only had no progress been achieved but a step had rather been taken in the wrong direction. It was therefore necessary to call the direct attention of Governments to this point, namely, the Customs question.

The method followed up till now in dealing with the other recommendations of the Conference, which had given excellent results, might be followed in future.

The Franco-British proposal divided the contemplated work into two stages: (1) A tariff truce, intended as a starting-point and designed to permit the discussions to take place in the necessary atmosphere of tranquillity; and (2) a conference with a view to considering more closely the possibility of further collective agreement.

The Customs truce appeared to be rather a preliminary condition than an essential factor in the reduction of Customs tariffs. It must, however, be remembered that the States which would sign this truce, after having adhered to the Convention for the Abolition of Prohibitions on Imports and Exports, would find themselves, for the period of its duration, without any means of defending their national production.

It would, moreover, be difficult for certain States to accept the Customs truce if they did not know what other countries were prepared to sign such a pact. It would be, indeed, impossible to establish a Customs truce upon an equitable basis if those countries which played an important part in world economy were not to participate in the truce. Among these countries there were some which used autonomous tariffs rigorously and for protectionist purposes. What would be the position of those which, following the practice of commercial treaties, had consolidated the majority of their duties, if they were to renounce all liberty in the matter of Customs duties without the certainty that the same obligation would be undertaken by those countries which enjoyed an autonomous régime? Certain observations which had been made to this effect might

be alarming if there was not the hope that the goodwill of some countries would serve as an example to the others, so that as extensive a truce as possible might be secured.

It would be necessary also, when the truce came to be discussed, to consider very carefully the Customs duties which were of a fiscal character and, more generally speaking, all those duties which played an important part in the establishment of a country's budget. Otherwise one would be embarking upon a field into which it would be preferable not to venture.

Exceptions should in any case be reduced to a minimum. But it would be impossible to suppress them all without infringing the liberty of States in fiscal matters.

He also wondered whether the truce would not risk delaying the conclusion of commercial treaties. This would be a result which would defeat the ends of the truce.

Such were the objections which, in the opinion of the Italian delegation, might be opposed to the idea of a Customs truce. In the interests, therefore, of this idea it was necessary to examine these objections with the most careful attention.

The truce in the form which it assumed in the Franco-British proposal appeared to be rather a question of method than of substance. States should consider all the effects which it might have upon their policy, for it would become for a time the real tariff policy of the adhering States. Without formulating an exact proposal, he wondered if, by adopting another method than that suggested in the Franco-British proposal, it would not be preferable to supply the States which would adhere to the Customs truce with a more exact, complete and organic idea of the conditions of the truce and its possible consequences, by submitting to them a preliminary study prepared by the competent organ of the League of Nations.

It was true that the proposal provided that the Economic Committee should be instructed to prepare a draft convention. It was desirable that this draft convention should be delivered to the Governments, not only before the date fixed for the conference for discussing the question of the Customs truce, but before the adhesion of the Governments in principle to the truce, in order that they might have a clearer and more complete idea of it. Moreover, the date of November 30th appeared to him rather too close. The draft convention should reach not only European countries but overseas countries. It would perhaps be preferable to confide to the Council the duty of informing the Governments of the results of the work of the Economic Committee in order that the countries might reply in time.

He attached great importance to this procedure. He thought that, under these conditions, it would perhaps not be necessary to fix the date of the conference but, since the nearest possible date to January 30th, 1930, had been indicated, this indication might stand. It was simply a question of co-ordinating the date of the reply and the date of the conference.

The important point was to arrive at a practical result, even if the investigation had to last several months longer.

The impatience which was excusable at the outset of the activities of the League of Nations was no longer justifiable. Therefore he desired to insist upon the importance of not undertaking any discussion on the subject of the truce until after the Governments had received all the information enabling them to form an opinion and to know to what consequences they would be exposed.

The principal problem was that of the conference for the reduction of tariffs.

Several systems had been suggested — the three-level system, the reduction of duties by a certain percentage and the limitation of negotiation to certain commodities, all of which had failed to succeed owing to technical and economic difficulties. To-day it was proposed to enter a wider sphere of action by appealing to the goodwill of Governments. It was to be hoped in the interest of the economic reconstruction of the world that these efforts would be crowned with success, but enthusiasm for this valuable work should not blind its supporters to the difficulties which were to be overcome in this field.

The prospect of crises to be surmounted in adapting the scheme to national economies which had developed along the lines of protectionist tariff systems, the existence of certain agricultural and industrial products which States considered to be indispensable to their national independence, the necessity of securing an economic development in relation to the economic weakness of certain nations or their demographic development — these were problems which it would be necessary to study and to solve before a reduction of protective tariffs could be achieved, if it were desired to widen markets, to arrive at that freedom of trade of which so much had recently been said, and to facilitate the commerce and trade of the world.

There would also be other questions in this field requiring study, such as that of the adoption of a uniform nomenclature. Most of the delegations had expressed the opinion that this factor was of the first importance. He shared this opinion and thought that it was perhaps one of the preliminary conditions to the achievement of concrete results.

It would, perhaps, also be necessary to ask European and non-European States in which the autonomous tariff system was in force to undertake eventually to reduce their excessive tariffs or at least not to increase them for the duration of the convention. It would also be necessary to examine the situation of States employing the system of preferential tariffs towards other States. These were some of the questions which would be raised when the basis of the problem was discussed.

If he had insisted upon all these difficulties, it was not in order to oppose the idea at the basis of the resolution; he had wished to draw attention to them in order that the way might be cleared from the beginning for the accomplishment of the task.

Other questions which had been the subject of debate in the Second Committee were coal and sugar. Since a tribute had been paid on all sides to the work of the Economic Committee, it would, in his opinion, be best to leave it to settle these questions.

Referring more particularly to coal, he recalled the point of view which he had already expressed several times, namely, that of the consuming countries. The League of Nations

represented producing countries and consuming countries. It could not therefore discuss such a question unless it could manage to establish harmony between these conflicting interests. If this could not be achieved, the question should be dropped by the League of Nations and be dealt with by the States individually concerned.

He did not think the sugar question was ripe for discussion in the Second Committee, and was of opinion that the Committee should wait for the proposals of the Economic Committee.

The question of agricultural experts had also been raised. On this subject the Italian delegation entirely supported the statements made by M. Stucki. What had been said on this subject in Dr. Breitscheid's report was an expression of the real situation.

The Second Committee had also received a proposal on behalf of the German, Austrian and Italian delegations, expressing a desire that the Economic Committee should supply the Council as soon as possible with the elements which would permit it to judge whether, in what form and within what limits, the problem of the admission of foreigners might be usefully studied by the Economic Organisation of the League of Nations.

This question of the circulation of individuals was closely allied to that of the circulation of commodities, and the two should be treated together. Further, the question only concerned the circulation of individuals in the economic sphere. This point should be clearly defined in the drafting of the proposal.

In conclusion, he would insist that he had formulated his remarks only from a desire to collaborate sincerely in the work which, in common with other speakers, he considered to be fundamental to the economic welfare, not only of Europe, but of the whole world. To attain this end it was necessary to proceed prudently, progressively, but continuously. Otherwise it was to be feared that the results attained would not be durable.

M. GLIWIC (Poland) made the following declaration :

"The Second Committee has received this year a great number of resolutions. We have before us four resolutions submitted by our Rapporteur, two joint resolutions from the British and French delegations, a resolution from the French delegation, two resolutions presented by the Australian delegation, two resolutions from the Belgian delegation and one resolution from the delegation of Yugoslavia.

"It is very difficult to add anything to the first four resolutions. They follow logically upon the excellent report made by Dr. Breitscheid, and it only remains for me to associate myself with them and with the addendum proposed by the Austrian, German and Italian delegations.

"I would call particular attention to the great significance of Dr. Breitscheid's fourth resolution — a resolution in which the value of the publications of the Economic and Financial Organisation of the League of Nations, and more especially the annual publication of the 'General Survey of the World Economic Situation', is emphasised. The latter publication became indispensable, from the moment of its appearance, to all those interested in international economic questions, and it is only natural to express the wish that it may be considerably enlarged next year.

"For the same reasons I entirely associate myself with the two resolutions of the Australian delegation to a similar effect.

"I also support the Belgian proposal relative to the very important problem of the unification of tariff nomenclature.

"The Franco-British resolution concerning the 'tariff armistice', or if one prefers the less warlike English phrase 'Customs holiday', has provoked very wide discussion. As I have already insisted before the Economic Consultative Committee, a feeling of disillusionment and even of disappointment has for some time past made itself felt at Geneva in the speeches relative to the economic work of the League of Nations. We have also been aware of this feeling in the Assembly, in the words of our Rapporteur, and in the speeches of many of our colleagues. Some think that the results hitherto obtained in the economic field by the League of Nations are not in proportion with the laudable efforts of the Economic Section or with those of the Economic Committee and the Consultative Committee. But it would be a grave error to compare the meagre results of any one special conference with the incessant progress towards a better economic understanding which is steadily increasing. We are all aware of this drawing together, and the feeling has never been more brilliantly expressed than in the great idea put forward by M. Briand. Our mistake consisted in trying to deal hurriedly with a single chapter of political economy — Customs rights and the percentages of Customs tariffs, which are only the outward signs of the economic situation in the different countries.

"It is almost impossible for me — and many of my colleagues are probably in the same position — to escape from the disagreeable impression created by certain speeches made here, due to the fact that all tariffs are considered by many of our colleagues as bargaining tariffs. Has it been forgotten that certain Customs tariffs have been established in one country or another, not for purposes of bargaining but because they were imperiously required for the economic development of these countries? In my opinion, it is not the tariffs, which are the symptoms which should be removed, but the ills which are at the root of the economic discrepancies referred to by M. Hymans. Is it possible to impose upon a series of countries tariffs dictated from without, or even to abolish their Customs tariffs, when not only their natural conditions but their commercial conditions and traditions, their financial situation, cost of living, legislation, consuming power, purchasing power, are all entirely different? Consider the conflicting movements of the discount percentages in different countries, the oscillations in the exchange, the migratory flux and reflux, and then decide whether you think that any operation merely concerning a Customs system or



tariff percentages would further our efforts at co-operation. We are all, I think, in favour of the closest economic co-operation in Europe, but it is not by the immediate levelling or the artificial lowering of tariffs that we shall achieve our ends.

“ This question presents yet another aspect. We must not forget that what we are aiming at in Geneva is not so far the constitution of a single world economy. It is solely — perhaps for the moment only — the pursuance of an agreement between different national economies, that is to say, of the establishment in the economic field of a balance between sacrifices on the one hand and benefits on the other. For a great number of countries the Customs system is the only instrument of political economy. How, then, can we ask them to adhere readily to a policy remarkable by its apparent predilection for the reduction and abolition of these tariffs ?

“ One other consideration preoccupies me, and I hope that you, who know my admiration, devotion and enthusiasm for the League of Nations, will not misunderstand the statement I am going to make. In such circumstances might not the impression be gathered by certain persons, neither very critical nor very cultivated — a vague impression, it is true, but a very dangerous one — that the League of Nations, by declaring itself against excessive tariffs is neglecting to some extent the interests of certain countries — perhaps of countries like Arcadia, to which reference has already been made — and the interests of the working-classes of those countries, so eloquently defended by Mr. Dalton, in favour of other countries better developed and from an economic point of view, more powerful ?

“ I am far from sharing this opinion. I merely consider that, by concentrating on tariff questions, an easier, and perhaps more welcome, way of beginning has been chosen. I am, however, glad to notice that free trade is no longer spoken of as a panacea. It is no longer even considered as a possibility but as a phantasy, a Utopia. Imagine for a moment that M. Briand's great idea — which many of us share — should be realised. Do you not think that the first steps taken by the United States of Europe could not but be modelled upon the powerful economic organism constituted by the United States of America, whose system differs so widely from free trade ?

“ If a great number of resolutions, as has been remarked, remain dead letters, it is because they are not easily applicable to the economic life of some countries. It is easy to propagate fine doctrines, perfectly correct from a theoretical point of view, but they cannot be put into practice in a short time. It is therefore indispensable for the prestige of the League of Nations to decide that it shall not undertake any question which it is not prepared to elucidate thoroughly and shall only deal with problems of a concrete nature which are capable of solution.

“ At all events, in my opinion, it is not a ceaseless struggle against protectionism which will facilitate efforts for a closer agreement. We may arrive by another route and we are now, perhaps unwittingly, close to the goal. The first step in this direction is the constitution of the International Bank of which I shall have occasion to speak at another meeting of our Committee. On the other hand, economic co-operation, stronger and more effective than we think, is practised daily, whether we will or no ; but this co-operation is not a matter of resolutions and negotiations between Governments and is not the result of decrees ; it is due to the industrialists concerned. Before the war there existed about one hundred and twenty different international agreements. Since the war, and particularly during the last four years, there has been a great tendency towards the formation of international cartels. There are, at the moment, agreements grouping as many as fifteen different nations. If we look about us, we can point to any number of commodities which have been ‘ cartelised ’ internationally, such as steel, tubes, rails, zinc, copper, aluminium, salts of potassium, cement, matches, dyes, magnesia, velvet, eggs, etc., not to mention petroleum, tobacco and innumerable other products. All these commodities are distributed by international cartels which are more or less complete and more or less permanent.

This is the important point and one the study of which has not been neglected by the Economic Organisation of the League of Nations. The progress of this study, however, is slow, no doubt owing to the complexity of the subject. The League of Nations and its Economic Organisation will be failing the International Economic Conference if they cannot present to the next Assembly some striking results in this field.

“ And now, returning to the proposal of the Franco-British resolution concerning the Customs truce, I am inclined to wonder whether it is not premature. On this matter I share the extremely serious and extremely grave doubts of Dr. Breitscheid and Mr. O'Sullivan, and I am afraid that we are running the risk of augmenting the number, already so considerable, of inapplicable resolutions. The application of the Franco-British resolution necessitates a profound study which can only be achieved if time is given. During that time, however, some countries, and I should be the last to judge them harshly, principally countries with low tariffs, might seize the opportunity and proceed to augment their tariffs.

“ However, I think that, subject to certain reservations which my Government will duly put forward, we shall not be opposed to the Franco-British resolution as it has been put before us.

“ The Economic Organisation of the League of Nations certainly deserves praise for some of its work in the economic domain, more especially for its researches on the questions of coal and sugar. Thanks to its efforts, the Economic Organisation has dealt with the problem of an economic reconciliation in the way which I have mentioned and which, I am convinced, would give the best results. I therefore heartily agree with the Franco-British resolution on the coal problem, which can only be solved on an international basis. I would, however, observe, as our Vice-Chairman has already done, that it is impossible to contemplate a uniformity of wages, given the different levels of the cost of living in different countries, and that, in order to avoid any misunderstanding, it would be preferable to define more clearly the intention of the relevant passage in the resolution.

“ I do not share the opinion of M. Colijn on the sugar problem. I think that this question is very difficult and that it should be solved under the auspices of the League of Nations and not in any other way.

“ I therefore give my entire support to the resolution of the French delegation concerning sugar.

“ I think that, in the matter of sugar as in that of coal, an international arrangement will be reached. It is not our business to stop at details. The parties concerned will deal with them far better than we can, but it does concern the League to facilitate all movements of economic reconciliation in the different industrial fields whenever such tendencies appear.

“ Allow me now to pass to the agricultural question, the importance of which has been insisted upon here by M. Loucheur.

“ It is impossible to proclaim principles of free trade in the matter of industrial products and at the same time propagate principles of a protectionist policy in the field of agricultural products. On the contrary, it would be more justifiable if efforts towards an improvement in regulating the commerce in agricultural products should precede any attempt to deal with the commerce in industrial products.

“ I only mention this problem, for I hope that my distinguished colleague, M. Čurčin, representative of the Kingdom of Yugoslavia, will expound it in detail. I only wish to draw the attention of the Committee to one particular point. It is no doubt necessary, as Mr. Dalton has said, ‘to clothe our economic skins and bones with a little flesh’. This expression may be taken literally, for I desire to mention the existence of an international problem in the commerce in live-stock and, more especially, in veterinary questions.

“ At the last Assembly of the League, we adopted a resolution on this matter :

“ ‘ The Assembly follows with interest the researches undertaken with a view to veterinary measures ; approves their objective character and the fact that the legitimate and sometimes contradictory interest of countries importing and exporting live-stock has been taken into account ;

“ ‘ Is of the opinion that their completion is essential in order that all suspicion of disguised protectionism should be removed from the regulations and in order that the greatest possible freedom of trade as desired by the Economic Conference should be assured ;

“ ‘ Hopes that they will be continued with all speed compatible with their very complex nature.’

“ I hope that the present Assembly will take a new step in this direction and I associate myself with the Yugoslav resolution.

“ Unfortunately, I do not see among the credits which are to be discussed by the Committee any reference to the expenses which the convening of a veterinary conference would entail.

“ Finally, I would return to the question raised by M. Loucheur, whose views I share on the matter, of the work and the immediate possibilities of the Consultative Committee whose activities do not come up to our expectations. M. Loucheur’s opinion and my own on this question were expressed at the International Economic Conference in 1927 when the Economic Organisation of the League was discussed. These opinions are probably well known. Unfortunately, they were not in a majority.

“ I will do no more now than express the hope that the Consultative Committee will return to the problem which should determine its work and its activities in order to arrive at a satisfactory solution.”

Mr. W. EULER (Canada) made the following declaration :

“ As a delegate from Canada I am interested in that part of the resolution submitted by Great Britain, Belgium and France dealing with the question of reduction or abolition of tariffs and the proposed tariff holiday of two years during which period the nations pledge themselves not to increase their tariffs.

“ The resolution is, of course, predicated on the assumption that, inherently, tariffs tend to cause international friction, and that friction predisposes to war. With that general statement, particularly as applied to Europe, most people will agree.

“ I take it, further, that, while non-European countries are not necessarily excluded from the scope of the resolution, its sponsors have particularly in mind the countries of Europe. While I have no great knowledge of conditions here, it must be evident to any observer that with the multiplicity of geographically small nations, some more or less at the same stage of industrial development, the benefits of tariff reduction or abolition are quite apparent.

“ I believe that the delegates will also recognise that the situation is somewhat different in a new country like Canada, whose resources are largely undeveloped, which lies contiguous to a largely populated and highly efficient industrialised nation, and which is 3,000 miles distant from the countries of Europe.

“ Canada has many important industries and is rapidly developing others. To bind ourselves to throw wide open our markets to those who exclude us from theirs is a proposal that could not be justified.

“ In Canada the standard of living fortunately is high and must be maintained. The equalisation of wages which would ensure equally high standards of living in all countries and would substantially equalise costs of production presents difficulties which I need not discuss.

“What I have said must not be construed as being in the slightest degree antagonistic to the legitimate aspirations of the older nations to remove the friction which breeds war and prejudices their material welfare. Indeed, I hope that they will be successful in their endeavours to establish a sort of industrial United States of Europe, similar to the United States of America or the Provinces of Canada, which, each as large as a European country, are economically bound together, with no tariff barriers against each other.

“I see no reason why a conference should not be held by those who feel that the proposed action with regard to tariffs would be beneficial to them. I have no instructions from my Government in regard to the resolution; but, under the circumstances to which I have referred — and because of impending tariff developments in other countries, the consequent possible necessity of seeking other markets for Canadian products, and the further probability of an early Economic Conference of the members of the British Commonwealth — I feel that Canada should reserve entire freedom of action. For these reasons I shall abstain from voting.”

#### 11. Supplementary Credits necessary to carry out the Economic Proposals discussed in the Second Committee.

The CHAIRMAN said he had received a letter from the Director of the Economic and Financial Section of the Secretariat indicating the budgetary consequences of the economic proposals discussed by the Second Committee. Each of the members of the Committee had read the letter (Annex 5). It appeared that the Committee would need a total credit of 240,000 francs for the application of the proposals but that, thanks to certain transfers, the credit could be reduced to 120,000 francs. It would, moreover, be necessary to ask for a credit, which could be reduced from 65,000 to 50,000 francs, for the proposed conference under the auspices of the International Labour Office in order to examine a certain number of questions relative to the mining industry.

He therefore asked the Committee to authorise him to request the Chairman of the Fourth Committee on its behalf to open two credits, one of 120,000 francs, the other of 50,000 francs, according to the indications contained in Sir Arthur Salter's letter.

*The proposal was adopted.*

Sir Arthur SALTER, Director of the Economical and Financial Section, explained that there was no reference to supplementary credits in his letter to the Chairman of the Second Committee for the study of the veterinary question which had been mentioned during the debate, because there were already credits existing for this purpose.

There was no necessity to ask for supplementary credits for the sugar conference because funds had been provided for a conference of experts on the sugar problem.

#### 12. Appointment of a Vice-Chairman to replace M. Colijn and Appointment of a Drafting Committee.

The CHAIRMAN proposed to appoint M. VAN LANGENHOVE, delegate for Belgium, as Vice-Chairman to replace M. Colijn, who was obliged to leave Geneva.

*This proposal was adopted.*

Upon the proposal of the CHAIRMAN, the Committee appointed a Drafting Committee consisting of the following members to revise the resolutions: Dr. BREITSCHIED (Germany), M. LOUCHEUR (France), Mr. DALTON (British Empire), Mr. McDUGALL (Australia), M. VAN LANGENHOVE (Belgium), M. ČURČIN (Kingdom of Yugoslavia), M. SUVICH (Italy) and M. STUCKI (Switzerland).

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### SIXTH MEETING

*Held on Monday, September 16th, 1929, at 3.30 p.m.*

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*Chairman: M. MOTTA (Switzerland).*

#### 13. Work of the International Committee on Intellectual Co-operation and of the International Institute for Intellectual Co-operation (continuation).

M. VALDÉS-MENDEVILLE (Chile), Rapporteur, called attention to the fact that the Minutes of the meeting of September 6th had omitted a sentence from his speech to which he attached a certain importance. On the other hand, the *Assembly Journal* had correctly indicated the general sense of it in the following terms:

“The Rapporteur emphasised the interest of the report upon one of the most important branches of the activity of the League of Nations, a branch which perhaps most deeply corresponded to its principle, since the work of peace could only be sound

and enduring if it was based upon a wide and methodical organisation of intellectual co-operation.”

Referring to the credits for which the Fourth Committee was to be asked, he had nothing to add to his report or to what had appeared in the Minutes of the previous meetings.

He insisted upon the importance of instructing youth in the aims of the League of Nations. He added, by way of explanation, that, in his opinion, this instruction did not mean propaganda on the part of the League of Nations as an organisation. It was a question of instructing youth in the principles of peace for which the League of Nations was the symbol and executive organ.

Mrs. HAMILTON (British Empire), on behalf of the British delegation, supported the two requests for additional credits. The first was for the enquiry with a view to remodelling the Intellectual Co-operation Organisation.

Seven very difficult years of great change and development in international organisation had passed since the Committee on Intellectual Co-operation had been founded. In addition, there was the fact that next year the arrangements made possible by the generosity of the French Government would come up for revision. Finally, there was the fact that throughout the world there had been a great deal of criticism of the work of the Committee and its different organisations. She congratulated the Rapporteur upon recognising that such criticism existed. That criticism, in the first instance, came from within the Committee itself and especially from those who most firmly believed that intellectual co-operation was an object to be secured, and that disciplined intelligence and the pooling of intellectual resources was, perhaps, potentially the strongest weapon there was in the cause of peace.

People in Great Britain were proud of the fact that a distinguished British national, Professor Gilbert Murray, was the Chairman of the Committee on Intellectual Co-operation.

There was a very active national Committee in Great Britain which was supported by the Government and which desired nothing more than to be able to assist the national committees in other countries in the general effort. A reform of primary importance was the association of the national committees in an organic way with the work.

The more closely representative organisations in each country co-operated, mapping out the ground, contributing what they knew and uniting in democratic organisation, the more it would be possible to get solid results. As a practical people the British believed rather in slow planning and gradual approach than in launching out on large ideas. The main criticism was that, up to the present, intellectual co-operation had worked a little in the air and that it should be brought down to earth. She laid stress on the suggestion in M. Briand's report to the Council to the effect that the Committee of Enquiry should include, in addition to its five members, three experts who would sit on an equal footing with the members themselves.

The opinion of the British delegation was that it was entirely fair and just to ask the Assembly to produce the necessary funds to finance and carry through the enquiry. It would be most unfair to cast the cost of that enquiry onto the Institute.

The British delegation also warmly supported the request for an additional credit of 33,000 francs for the printing and translation of the pamphlet entitled *The Aims and Organisation of the League of Nations*, and for 5,000 francs for the publication of the *Educational Bulletin* twice a year. The greatest interest had been shown in England in this important part of the work of the Committee on Intellectual Co-operation. She would add that it was upon British initiative that the Assembly of the League of Nations during its fourth session had adopted a resolution inviting Governments to assure themselves that the children in their schools should be instructed in the existence and aims of the League of Nations. Progress had been made, thanks to this resolution, in two directions, both of which were of the first importance and in both of which the Committee on Intellectual Co-operation had shown successful activity. In 1926, the Committee of Experts had suggested that a national conference should be held in each country to secure harmonious co-operation between administrative authorities, teachers and voluntary associations with a view to giving schoolmasters a clear idea of the League of Nations, in order that they might impart their knowledge to the children.

The British Conference had been held in 1927, and the enthusiasm displayed both by teachers and educational authorities was noticeable. The Board of Education had already included a section on the League in its handbook for teachers. Further, in 1927, the Committee on Intellectual Co-operation had suggested the preparation of a reference book to be issued under the authority of the Secretary-General. That handbook was now before members of the Committee. It was a model of exact and lucid statement. It was also a most admirable example of practical co-operation, for it was the joint work of two Frenchmen and one Englishman. So far, however, it was only available in the two official League languages. Those who had studied the work would agree that it was desirable that it should be universally available in an accurate translation. At present there were no available funds either for the free distribution — for which there were many demands — or for translations, or for extensive reprinting. There was, in her opinion, no piece of work on the agenda of the meeting that had more far-reaching practical consequences for the League of Nations than a translation of this handbook, which might serve as a basis for historical and other teaching with regard to it. On the principle — the importance of instilling pacific ideas and exact knowledge of the League into the minds of the young — there was no need to insist. All had heard the magnificent speech of M. Briand. The book was excellent. Its

extended use would be extremely valuable, but on one point she differed from Count Carton de Wiart, who considered that this work should be undertaken by voluntary associations. The instruction of the young in the aims and the objects of the League was a task so vital that it should have the full sanction of the authority of the League behind it. It was not the kind of task which should be left to voluntary effort. Education in the ideas and work of the League was true education in the strictest sense. It was a part of the primary duty of the national educational authorities to make sure that this teaching was given. They could not pass this responsibility on to any voluntary organisation. The aims and results of the League should be part of the educational atmosphere, not of the schools of one country only but of all, so that it might rank among the departments of pure knowledge and be as little coloured by national differences as mathematics. It was therefore essential that the handbook should be made universally accessible; that States should be urged to make it so for their teachers; and the Secretary-General should be granted the necessary credits to enable him to supply a translation for those States prepared to make use of it.

Professor GALLAVRESI (Italy) said he would only rapidly formulate a few remarks.

His first idea was that confidence must be placed in the Committee on Intellectual Co-operation and that its wishes should be correctly interpreted. He would like to correct what might be considered a false impression. The Committee on Intellectual Co-operation had not decided upon an "enquiry", a word sometimes used in a depreciatory sense, but upon a study with a view to recasting its organisation. After seven years, the Executive Organisation of Intellectual Co-operation naturally wished to be enlightened as to the results of the work done. The French Government had supplied the League with an admirable instrument in the form of the Institute for Intellectual Co-operation.

If it had been found that certain preliminary investigations made by this Institute had given very little result, it was useless to continue them. It would therefore be necessary for the organisation to concentrate its efforts upon intellectual statistics in order to define clearly the problems of intellectual life. The organisation for intellectual co-operation should henceforth limit itself to concrete and necessary matters, such as authors' rights, publishing rights, museums, etc. The Institute might even be used for the unification of private rights, at any rate so far as the first two problems were concerned.

If a revision was to be made, it must be made in a spirit of progress and not in that of recrimination. The word "enquiry" suggested an investigation in a field where work was not progressing to general satisfaction. Nothing was farther from the thought of the Committee on Intellectual Co-operation than to express grievances in this matter. It simply wished to be informed with a view to the future.

He insisted upon the good work done by the Committee on Intellectual Co-operation but begged that no efforts should be wasted through being ill-directed. He was definitely averse to the organisation of congresses by the Institute, for its regular work risked interruption by their preparation.

It was therefore for a work of study that credits were required and he approved this request, subject to the reservations which he had just made.

He shared the opinion of Count Carton de Wiart that the voluntary associations should be given the greatest possible latitude in the matter of propaganda and that resort solely to Government action should thus be avoided. The Committee on Intellectual Co-operation had supplied the necessary means, for the pamphlet in which the aims and organisations of the League of Nations were set forth was perfect as a piece of propaganda. If the work of voluntary associations were suppressed, the work of propaganda would necessarily be imperilled. He did not, however, mean to imply that he was averse to Government action; he thought that Governments would do well to apply to the Secretariat of the League of Nations for authentic interpretations and for indications as to the best texts.

In conclusion, he wished to know the extent of the collaboration between Governments and the Institute. The Institute was a valuable instrument which it was necessary to perfect. It was with this end in view that he supported, on behalf of the Italian Government, the discreet and careful report of M. Valdés-Mendeville.

Mr. BAJPAI (India) congratulated the Rapporteur on his clear and succinct résumé of the work of the past year and of the activities proposed for the approaching year. The most important of these was the proposed enquiry into the activities of the Institute for Intellectual Co-operation with a view to a definition of their scope so as to ensure practical achievement. He felt sure that all well-wishers of the movement for intellectual co-operation would welcome this step. As the Belgian representative had pointed out in a remarkable speech, a diffusion of activity was likely to defeat the object for which the movement was started. In a world of realities, even the fiery steeds of idealism had to be harnessed to the rumbling pantechicon of facts. India was anxious to make the movement a success. As a country with an ancient literature and a remarkable system of philosophy she naturally welcomed a movement which sought to lay the foundations of a cultural synthesis. But the very vastness of the ideal afforded justification for well-thought-out and stable activity.

As regarded the three proposals for additional credits included in the Rapporteur's report, the Indian delegation wished to make certain general observations.

In the first place, it seemed doubtful whether, consistently with the principle that the League had no financial responsibility towards the Institute, it would be wise to create a precedent in favour of rendering it financial assistance.

Secondly, as regarded the credit for the proposed enquiry, it was a matter for consideration whether the cost of such an investigation should not form a charge on the budget of the Institute

itself. The enquiry was suggested so as to secure a restriction of its activity to practical ends. This would seem to imply that no harm would be done if some of its less important activities were temporarily stopped or even dropped so as to provide funds for the enquiry.

Thirdly, as regarded the proposal to ask for a credit to facilitate translations of the handbook on the aims and objects of the League, the Indian delegation thought that the Secretariat ought not to be saddled with this duty. It was not a bureau of polyglot translators and could not meet demands for translations from all the States Members of the League. To cite one example : if India — where there were over a hundred dialects spoken — asked the League to provide it with translations for the various linguistic groups that constituted its population, both financially and linguistically the Secretariat would be overwhelmed. It would be safer to assume that a country which was really interested in instructing its population in the aims and objects of the League would undertake to carry out and defray the cost of translations necessary for the purpose.

In conclusion, he would add that, while India had not so far been able to set up a National Committee, the authorities that could help in bringing such a committee into being had been sounded, and it was hoped that before long it would be possible to convene them in conference so as to obtain the desired result.

M. MISTLER (France) said that his task had been rendered easier by the remarkable report of M. Valdés-Mendeville and by the brief but effective observations of the speakers who had preceded him.

The French delegation was in full sympathy with the Rapporteur on the different demands for credit which he had made, subject to certain reservations similar in nature to those of Professor Gallavresi.

He did not wish to begin a linguistic discussion upon the precise sense of the words " enquiry " and " enquête " ; he thought that, in reality, Mrs Hamilton agreed with Professor Gallavresi, and that what was proposed was a study, to be made not in a spirit of criticism or of recrimination, but in a constructive spirit ; a revision similar to that which a machine that had rendered good and loyal service might from time to time undergo.

It would be useful if the Committee would decide upon what lines the work of the Study Committee should proceed. The names which had already been mentioned as those of the members of that Committee sufficed to dissipate any misgivings as to the manner in which the work would be done.

Had mistakes been made in the past? He thought rather that experiments had tentatively been made. An enterprise such as that of the Institute for Intellectual Co-operation had necessitated soundings in all directions, and it was not surprising if the looked-for results had not always been attained.

It would, however, be necessary to aim at concentration. The field which had been chosen was perhaps rather vast, as, to begin with, it comprised a wide enquiry into the conditions of intellectual work similar to that which the International Labour Office had undertaken for industrial or agricultural work. Secondly, there were huge problems arising out of scientific and material organisation, and finally, the very complicated problem of the instruction of the young in the aims and ideals of the League of Nations.

M. Mistler had no suggestions to make as to the way in which the Study Committee should work. He would venture, however, to express certain wishes. He hoped that, in the examination which the future Committee would make of the past and future activity of the different organs of intellectual co-operation, pressing considerations would have priority over other questions of intrinsic interest which any particular field of research might present. For example, it was both useful and interesting from a scientific point of view to undertake an enquiry into languages which were in danger of extinction, but this problem was, notwithstanding, less pressing than that of the condition of intellectual workers in different countries. There existed, for instance, in all European overseas countries, an interesting class of intellectual workers who were menaced by the mechanical transformation of their art. The cinematograph had dealt a death-blow at the theatrical industry. In the same way, wireless and the perfecting of the gramophone were menacing executive musicians with extinction. These were problems which, though within a limited area, constituted nevertheless an interesting field of activity for the Institute for Intellectual Co-operation.

A similar and urgent problem was that of the translation of scientific and literary works. The Congress of the " P.E.N. " Clubs, recently held at Vienna, had, among other things, expressed the hope that a new statute would be drawn up with regard to translation. All literary or scientific works worthy of the name, were, 150 years ago, almost automatically translated into one or other of the most widely-spoken languages, because, at that time, the conditions of publishing were very different. It had been sufficient in those days to make an edition of 1,000 or 2,000 copies in order to reach the cultivated public. Nowadays, the material conditions of publication demanded a far wider circulation, and very much larger expenses were entailed. It was not surprising, therefore, if translations had often to be a purely commercial enterprise, and if in many countries it was the least representative works, from a national and international point of view, which were the most frequently translated.

He thought that individual problems should not distract the attention of people interested in the League of Nations from the central problem with which the Intellectual Co-operation Organisation had to deal. If the essential aim of the League of Nations was to prevent a recurrence of war, the International Organisation for Intellectual Co-operation must also direct its labours towards a similar goal. Here was the pivot, mentioned in the previous year by Professor Gallavresi, around which all efforts must turn, and which had been the subject of the remarks made



by previous speakers. With this end in view, an ever-increasing importance must be attached to the problem of the education of the young.

In his magnificent speech in the Assembly, M. Briand had emphasised the dangers to the spirit of peace occasioned by bad educationalists — faithless shepherds, who might be termed purveyors of poison. The Organisation for Intellectual Co-operation had received, thanks to M. Casares' resolution, which one of the preceding Assemblies had adopted, a means of intervention, at least informal, which promised to extirpate from educational manuals the poisons therein contained. This work must be continued. Further, he thought it desirable that the International Institute for Intellectual Co-operation should take certain initiatives, such as, for example, the publication of an international anthology of authors killed in the war. This had already been done in France, and the work constituted the most formidable accusation ever drawn up against war. How much greater, then, would be the force of this accusation if it were conceived on an international plane. If all those who were called upon to read this work saw what a magnificent harvest of intellectual hopes had been destroyed by the war, would they not share the feelings of the peasant who saw his field ravaged by tempest and who asked to what end was his harvest destroyed?

He believed, in common with the speakers who had preceded him, that the rôle of the study Committee would be, not to create a new organisation, but to improve and to perfect the organisation already existing, by making use of the statistics and facts which had already been collected.

The principle of intellectual co-operation need not be discussed. Already, twenty-one nations shared in the expenses of the International Institute for Intellectual Co-operation, and twenty-seven national committees existed. Further, forty-four countries had accredited delegates to the various branches of intellectual co-operation. In the same way, nobody questioned the entirely objective and international spirit in which the Institute had hitherto been working. He was glad to be able to bear witness to the impartiality of the Institute, to which France had offered her hospitality.

Finally, he appealed to all nations represented in the Committee for a disinterested effort of collaboration, an effort to which Dr. Stresemann, the Minister for Foreign Affairs for Germany, had referred at the end of his moving speech, when he had affirmed that there was scope for all energies, either in pursuance of peace or for a common work of organisation. This effort was necessary; the whole world felt the need of it. It was only when all nations represented in the Assembly, regardless of the differences in culture and language which might separate them, worked single-heartedly at this international organisation of intellectual work, that one could hope that the progress of humanity would no longer — as Pascal had said — proceed along a line broken by perpetual ups and downs, but by a straight, uninterrupted line which would lead men's minds slowly but surely towards a new conception of humanity.

M. PILOTTI (Italy), Chairman of the Committee of Government delegates accredited to the International Institute of Intellectual Co-operation, said he was convinced that the delegates of the States would always interpret to their Governments the tendencies revealed in the Committee, and which would shortly be revealed in the Assembly, on the subject of intellectual co-operation.

He insisted that the International Institute for Intellectual Co-operation should work with practical objects in view, as the Rapporteur had already suggested, on the basis of decisions taken by the Committee on Intellectual Co-operation. He would refer particularly to international co-ordination between libraries, the co-ordination of scientific bibliography, the publication of translations and, with reference to the last mentioned, he entirely agreed with the French delegate. All that the Institute could do in this field would be to show its vitality. The more the Institute could serve as an intermediary organisation for scientific research the better it would help the international exchange of intellectual knowledge.

He was glad to note the declaration of Mrs. Hamilton, which showed the interest that Great Britain took in the idea of intellectual co-operation. Mrs. Hamilton had insisted upon the usefulness of maintaining constant relations between National Committees, the International Committee and the Institute in Paris. This was essential for the future of the Institute, and the collaboration of the delegates of the States would be particularly valuable in this respect.

M. CHODZKO (Poland) paid a tribute to the Committee and to the International Institute of Intellectual Co-operation for the work which they had already accomplished and for the courage and sincerity with which they had asked in their report for the revision of their programme of work by means of a study committee.

The report showed how varied were the subjects studied by the two Intellectual Co-operation Organisations; authors' rights, scientific property, the social and legal position of intellectual workers, the protection of natural beauties and of primitive languages in danger of extinction, etc.

In order to execute such a programme, a considerable number of collaborators of very varied experience would be required. If the whole programme were attempted, the work would not get very far.

He admitted that it was very difficult to define in advance the exact task of the Intellectual Co-operation Organisation. The principal object of such organisations was to facilitate work in the field of science and art, in so far as activities of international importance were concerned, and above all to assist as effectively as possible all efforts for facilitating mutual knowledge and understanding between peoples.

The International Organisation for Intellectual Co-operation should, to begin with, only undertake certain groups of subjects, as, for example, university exchanges in general, exchanges of students in higher education and, more particularly, of pupils from secondary schools. On this point he expressed his regret that the Institute's report had made no mention of the encouragement

already given to the international exchange of pupils from secondary schools between France and Germany, France and England, France and Poland, etc.

He considered also that propaganda in general, not only through the medium of the Press, but by all sorts of publications, could usefully be undertaken by the Intellectual Co-operation Organisations. On the other hand, he did not understand how the protection of authors' rights and the examination of the social conditions of intellectual workers came within the sphere of intellectual co-operation. In his opinion these were tasks which could far better be accomplished by a special international organisation.

He would refer to a declaration in the report of the Director of the Institute in which it was recommended that this organisation should be not only a centre of practical co-ordination but an intellectual centre. Both by its composition and by its work, the Institute was certainly a very important intellectual centre. But it could have no pretension, as Count Carton de Wiart had very justly pointed out, to being a super-academy and of undertaking scientific research. It was, on the contrary, desirable that the Institute should attach to itself eminent men in the world of science, letters and art, who would ensure the necessary liaison between the scientific and artistic institutions of the world and the Institute itself.

The proposed Study Committee would be rendering a great service to humanity in recasting, in a practical form, the present organisation of the International Organisation for Intellectual Co-operation. It was desirable that, in addition to eminent theorists, the Committee should also comprise experienced representatives of the various educational administrations and of the Press, etc.

He wished to pay a very special tribute to the efforts of the French Government in the field of intellectual co-operation. The Polish Government had on its side given a tangible proof of its interest in the cause. It would follow closely the work of the Study Committee whose task had been outlined by the representative of Poland, M. Sokal, to the Council on August 31st, 1929.

He further warmly supported the proposals and suggestions made by Mrs. Hamilton.

Mme. KLUYVER (Netherlands) said that there was in the Netherlands a National Committee on intellectual co-operation, and a special committee would shortly be formed in the Netherlands East Indies.

The education of youth was undoubtedly the most essential field of activity, and in her country it had been thought essential to interest children in the aims of the League. With this end in view the Netherlands Government had introduced into its training schools for teachers instruction as to the work of the League. Moreover, the Netherlands Government had accepted with pleasure the facilities given to the Chief Inspector of Dutch Elementary Education to follow courses at Geneva. This inspector was now temporarily attached to the Information Section of the Secretariat. The secondary schools in the Netherlands had incorporated in their history programmes a course on the League of Nations, and public examinations contained questions on this subject.

Further, in the Netherlands, a day of peace, May 18th, was celebrated as a public holiday. A peace exhibition and an exhibition devoted to the League of Nations was to be opened at the end of the year and every facility would be given to school-children to visit it.

All this activity in the educational field required a great number of pamphlets and much literature. There already existed a Dutch translation of the pamphlet edited by the Secretariat on the constitution and organisation of the League. Other pamphlets had been published. Finally, the pamphlet which had just appeared on the *Aims and Organisation of the League of Nations* had particularly attracted the attention of the educational authorities. A special committee had been appointed upon the suggestion of the National Committee. This Committee had unanimously agreed upon the value of the pamphlet in question, and the Minister for Education had decided to have it translated and disseminated in all educational circles.

She enlarged upon the efforts made in her country to show how the Government authorities and private associations might collaborate in instructing the youth of the nation in the ideals of the League.

M. Iro (Japan) said that, for the sake of brevity, he would only announce the conclusions at which he had arrived. He called to mind that Count Carton de Wiart had mentioned at a previous meeting the desirability of a division of labour in the work of propaganda and education between the League of Nations and voluntary associations. He wished to support that proposal, which had, moreover, the sympathy of a member of the Italian delegation.

There were, perhaps, other reasons for such a division of labour than those which had already been mentioned, but he preferred to consider the Chairman's request for brevity and to limit himself to the statement which he had just made.

M. CASARES (Spain) made the following statement :

"While associating myself with the well-deserved congratulations which have been addressed to our distinguished colleague, M. Valdés-Mendeville, I should like to make a few remarks, or rather a commentary, in order to avoid an exaggerated scope being given to certain phrases in the report.

"We read on the first page that where the Intellectual Co-operation Organisation is concerned 'more work was undertaken than it was possible to carry out'. Must we really admit this now? Is not the examination of this question rather one of the most important tasks to be confided to the proposed Study Committee?

"It is certain that, for some time past, criticisms have been made based on the vague impression that the Organisation for Intellectual Co-operation undertakes too much at a time,



a fact which, it is said, prevents it from achieving any definite results. I do not contest the fact that these criticisms are well founded, although I should have preferred that we should have been told : Here is an undertaking which you should not have attempted ; here is another which might have succeeded better if you had devoted to it the efforts which you are bestowing elsewhere. Be that as it may, better that we should be accused of attempting too much than of letting opportunities slip for progressing along paths indicated by the League of Nations.

“The other day, on the platform of the Assembly, a member of the British delegation, Mr. Graham, explained to us that the League of Nations had brought forty-five conventions into being, of which twenty-two have made little or no progress, while twenty-three others have been inadequately ratified. Are we to conclude from this that we should request the League of Nations to be more prudent in the future? In my opinion, no ! There are institutions so highly placed and whose aims are so great and generous that they should be permitted to attempt everything without being reproached with an inevitable disproportion between the object attempted and the results obtained. As regards the choice of the aims to be pursued with a view to the possibilities of their realisation, I should say that such possibilities are always an uncertain factor, and that it is often impossible to foresee them. Even if it were possible to do so, I do not think that we should limit ourselves to problems which are considered already ripe for a favourable solution. Further, there are problems which, for lack of sufficiently authorised and sufficiently international initiative, have never been put before us, of which it would be useful to inform, as soon as possible, not only public opinion, but specialists and the circles concerned and, later on, the Governments, even when the solution is considered to be very difficult and very remote.

“If we invite the Committee on Intellectual Co-operation to cut down its programme, we shall appear to believe that, by lopping dead branches, the other branches will grow more vigorously and will bear more fruit. I do not know whether this advice, which in private life is wisdom itself, is of equal value in international enterprise. I do not know, for example, if the fact of abstaining from sending to a Government a new draft convention could in any way accelerate the study or the ratification of a draft which had already been submitted to it. Moreover, it is not always easy to determine whether a branch of which the buds are late in sprouting is really dead or merely quiescent. Allow me to quote an example in the field of intellectual rights, for which the International Committee on Intellectual Co-operation has appointed a sub-committee, of which I have had the honour — far above my humble merits — of being the Chairman for some years past. In the excellent report which you have before you, signed by the Chairman of the Committee on Intellectual Co-operation and by its eminent Rapporteur, M. de Reynold, you can see the interest which the international Committee has shown since its foundation in the problems of scientific property ; and it will suffice to look at the splendid “*Cahier*” devoted to this question by the International Institute for Intellectual Co-operation to be able to judge of the efforts which have already been made in this matter. Nevertheless, the Rapporteur of the international Committee has rightly concluded ‘that the idea of scientific property is still in the propaganda phase’.

“While the very principle of scientific property still meets with uncompromising adversaries, while the different schemes still encounter almost insurmountable difficulties, an unexpected event has occurred which shows up to what point the efforts which were considered wasted have obtained a striking result. The Spanish Government has just brought into force a new law on industrial property in which the principle of scientific property is formally sanctioned. Here is the text of the Decree of July 26th last : ‘Article 47. — A scientific discovery may also be the object of a patent on condition that it be recognised as original after a period of public information, during which the opinion of academies and other competent centres — which shall be determined according to the case — shall be consulted upon the nature of the discovery’.

“I am sure that the Second Committee will be glad to hear of this first step made in the direction of national legislation towards the reparation of the great injustice which, up till now, has refused all protection to scholars and scientists for their discoveries. I feel a double satisfaction in bringing this fact to your notice, both as the delegate of a country which was the first to launch forth along this new line and also as a member of the Committee on Intellectual Co-operation, whose efforts have no doubt contributed to a large extent to stimulate the initiative of the Spanish Government.

“It was with the greatest pleasure that I heard the eloquent delegate for France mention the Casares proposal — a proposal which bears the modest name of him who is speaking to you — which aims at the rectification in school manuals of errors which might sow among the youth of the country the germs of misunderstanding or hatred towards other countries.

“This proposal has already been applied with satisfactory results, and I take this opportunity of begging the delegates here present to remind the National Committees in their countries of the existence of this proposal and of the procedure which it advises.

“In conclusion, two words upon the instruction of youth in the aims of the League of Nations. I see in the report which has been presented to us that the order in which the different subjects of the activities of the Intellectual Co-operation Organisation are presented has been changed, and that the question of education has been put first. If we are to see in this — as I like to think — an intentional piece of symbolism, I address my sincerest congratulations to the Rapporteur.”

Dr. BREITSCHIED (Germany) said that he was glad to learn that the Committee on Intellectual Co-operation was going to reorganise its work and study its programme more thoroughly on the basis of its fruitful practical experience of the last few years. Germany would certainly

collaborate, as she had always done, in this work to the best of her ability. It was a work which seemed to him to be the moral basis of the propaganda in favour of the idea of a League of Nations. The German delegation would recommend the Fourth Committee to grant the sums requested in the report for the Study Committee.

To stimulate the work of the Committee on Intellectual Co-operation, he would insist upon the importance of the useful activities and of the collaboration, so valuable for the future, of the different national groups, upon whom the practical realisation of the ideas of the Committee on Intellectual Co-operation in each country devolved.

For this reason, Germany had welcomed the holding of a first congress of the National Committees this year at Geneva. It was particularly amongst the youth of the various countries that the idea of the League of Nations should be fostered. He would remind the Committee of what he had said last year on the steps taken by Germany in this connection. Upon the initiative of the Prussian Government, and with the assistance of the Minister for Education of the Reich, Germany had decreed that instruction upon the League of Nations should henceforward form a part of the school curriculum. Two works had just been published in Germany. One was for the use of teachers and the other for the use of the children, with a view to propagating throughout the schools a real knowledge of the task of the League of Nations and of the practical results it had achieved and, above all, with a view to accustoming the future generation to collaborate in the work of the League.

The Committee on Intellectual Co-operation had also published a handbook on the League of Nations. In order to distribute it widely a credit of 33,000 francs had been requested. The German Government supported this request, while hoping that a German edition of the handbook would be published in a form that could be used for educational purposes in the German schools. Germany had also proved her interest in the education of the young by collaborating in the *Educational Survey*. The German delegation supported the demand for credit in the 1930 budget for this purpose.

Moreover, Germany was making great efforts to encourage the exchange of students between countries. In order to ensure greater efficiency, the different organisations working in this field in Germany were being amalgamated. Germany would continue to make the greatest efforts in favour of the instruction of the young in the ideals of the League of Nations.

Germany also took great interest in the work of the International Institute of Cinematography.

Finally, he welcomed the publication in Europe of the masterpieces of Latin-American literature and hoped that this work would be continued on a large scale as a valuable means of bringing the two worlds into touch. For the same reason the German delegation welcomed the appointment of the delegate for Chile as Rapporteur for questions of intellectual co-operation, for it was not the first time that the League had been able to appreciate the valuable work for the League of Nations of this distinguished representative of the Latin-American world.

Mlle. Hélène VACARESCO (Roumania) congratulated the Rapporteur on the information given by him on the work of the Committee on Intellectual Co-operation and of the International Institute. She wished to congratulate him for having recalled the chivalrous origins of this work and to congratulate him, moreover, upon the courage with which he had insisted upon the urgency of the required credits.

Dealing first with the question to which she attached the most importance, already explained by the delegate for France — that of translations — she declared that, if the United States of Europe were to be formed, it was essential that first an intellectual United States should come into being, suppressing frontiers and assuring the advent of peace by the interpenetration of thought between peoples in an atmosphere of idealism.

But what, then, would become of the literature of small nations, of those which were usually described as "nations with limited interests", at least in the political field, but which, on the contrary, in the field of thought, were often "nations of unlimited desires"? The national genius of these small countries would be cramped by what might be called the imperialism of the literature of great nations, which would exert a real tyranny upon the literature of small nations — a tyranny which, notwithstanding, she accepted with docility and whose advantages she was obliged to appreciate.

The fact remained, however, that the small nations were menaced in their hopes by the circumstance that the United States of Europe, the institution of which was foreseen by economists, politicians and philosophers, had not as yet secured for their leadership and discipline an intellectual United States.

To preserve the thought of small nations, she would propose the excellent means already suggested by the Sub-Committee on Arts and Letters, namely, the translation of the literary works of different countries — a faithful translation capable of transposing the characteristics of the mind and national art into another language, of transcribing into one idiom the individual characteristics of another, its savour, its grace, its rhythm, its harmony or its phantasy.

She considered, however, that the moment had come to give an important place in the report to the idea of a kind of international bank of the mind, with a special committee of translation to be incorporated with the International Institute for Intellectual Co-operation. This committee would call together the best translators, and would make a choice of the works to be translated. This would be the only means of saving the literature of small nations, the only means of saving the aspiration, the desire of these small nations for peace. For a nation which did not prosper — and no nation could prosper if its thought was shackled — could not conceive a reign of peace.

The instruction of the young, which was at the basis of the institution of the League of Nations, should more especially take on a moral character. It would be useless to try to explain to children

the constituent elements of the Covenant. Children, with their taste for adventure, with their imagination, their sense of the heroic, must be given ideas which would make them love peace for its own sake — not an idea of monotonous peace but a varied and living conception.

On this point she called attention to the initiative taken by the Roumanian Government in the institution of prize competitions for the best essays on the subject of the aims of the League of Nations. This initiative had already given very good results. The prizes of the competition consisted in paying the travelling expenses of the prize-winners and their masters to Geneva.

The work which dealt with the aims and organisation of the League of Nations would also be distributed throughout Roumania in all the villages and schools. The Roumanian Government desired to continue the instruction of the young in the ideas and work of the League of Nations, so that the children might be urged increasingly towards a more frequent association with foreign conceptions, and their contact with foreign minds become almost a daily habit.

Educational cinematography was, in her opinion, closely allied to the aims of the League of Nations. It was desirable that the Institute for Educational Cinematography should be given an increasing importance by the collaboration of all Governments.

Two great forces should, therefore, be in close collaboration : private initiative and the Governments, in order to promote that intellectual collaboration which was the basis of the great hope of peace between nations.

M. MENSdorFF-POUILLY-DIETRICHSTEIN (Austria) called attention to one part of the work for international intellectual co-operation which had made remarkable progress during the last ten years. It was satisfactory that, both in a collective form and also individually, the youth of most countries had made its contribution to the efforts of the nations towards peace. Boy Scouts, the International Federation of Students, the Universal Federation of Student Christian Associations, the Pax Romana, the International University Confederation for the League of Nations, and many more besides — all were working in one form or another with the enthusiasm of youth for the realisation of this noble aim.

He was glad to note that the International Institute for Intellectual Co-operation had offered its hospitality to some of these organisations, and had tried to help them in their work.

The Federal Government of Austria was doing its best to encourage pacific tendencies among the young. Thus, it had founded several scholarships for schools which allowed the prize-winners of annual competitions upon the subject of the League of Nations to be present at a session of the Assembly and to study the organisation and work of the League of Nations on the spot.

It must not be forgotten that the youth of to-day was the generation of to-morrow, which, it was to be hoped, would inaugurate a more pacific era than the present. The utmost should therefore be done to increase the enthusiasm of youth and to encourage it in its efforts. With this end in view he presented the following resolution :

“ In view of the great importance of all efforts of young people directed towards closer international co-operation the tenth Assembly requests the Governments of all States to support as much as possible these efforts which encourage friendly relations between peoples.”

This resolution might appear vague and lacking in precision, but he had chosen a rather classical formula in order to allow of the widest possible application, on the understanding that each member of the Committee might, if he wished, suggest improvements.

M. BORGBJERG (Denmark) announced that the Danish delegation had much pleasure in reading the proposals of the International Committee on Intellectual Co-operation for the appointment of a small committee to examine the possibility of revising its programme of work.

Denmark attached particular value to the contention that schools in different countries should be more and more penetrated with the spirit of international co-operation. If this collaboration was to succeed and not to go under in a new catastrophe, young people must learn to think and to feel internationally, not through a weakening of national feeling but by being made to understand that this feeling could live and prosper side by side with international collaboration.

In this way schools could render great services. A work of the highest importance for the future was before them. One part of it was already done. Thanks to the Committee on Intellectual Co-operation and the National Committees in different countries, the League of Nations had tried to eliminate from school books all information concerning other countries that was false and inexact. The Carnegie Foundation and the International Congress held at Oslo in 1928 had studied the traces which the war had left in books on history and civic education in different countries and was at the moment eliminating these traces. The League of Nations itself had shown prudence in this matter through the difficult years of transition which had followed the war.

However, he felt that the time had come for the League of Nations to deal rather more decidedly with this question, and the Danish delegation hoped that the work of the proposed committee would be the beginning of the desired action.

He would like to suggest that the proposed committee should examine the possibility of convening a conference of the representatives of the Ministries of Education in different countries, preferably of the Ministers themselves — who were in daily contact with Parliament — accompanied by education officials, who constituted the permanent element in their respective Ministries. The principal subject of such a conference might well be the introduction into all schools of instruction regarding the organisation, the aims and the activities of the League of Nations,

the study of international collaboration as a whole, independently of the League of Nations. the discovery of a means of removing from education the spirit of hatred which could only result in new wars, and an attempt to inspire the rising generation with that spirit of collaboration upon which the whole fate of the future depended.

Count CARTON DE WIART (Belgium) considered that the discussion which had just taken place would constitute a very useful preparation for the work of the Study Committee which was shortly to be formed, and he proposed that the Minutes of the discussion should be forwarded to the Study Committee.

The French delegate, and, after him, the delegate for Roumania, had eloquently insisted upon the desirability of encouraging the translation of not only literary but scientific works. He thought that this proposal should be supported and that it deserved the attention of the Study Committee.

For the same reasons as those already given by his colleagues, he supported their suggestions. The Institute for Intellectual Co-operation should be an organ for drawing nations together and for centralisation, for this was the task with which the League of Nations had entrusted it. In order to achieve this the principle laid down by antiquity should be followed : *Ingenia hominum rempublicam facere* (" To make the treasures of the mind the common property of humanity ").

Naturally he did not propose that the Institute itself should undertake these translations, but simply encourage them and, if need be, finance them.

Referring to the instruction of the young in the aims and objects of the League of Nations, he said that this instruction was obviously necessary, indispensable even, and that the Committee on Intellectual Co-operation as well as the Institute for Intellectual Co-operation, should be inspired in all their activities by the spirit of the League of Nations. He hesitated upon only one point, which was rather a question of method. There was a place for everything, and everything had its place. Was this admirable Organisation for Intellectual Co-operation the only sphere for League of Nations propaganda? Would not such an assumption to a certain extent limit the aims and the scope of such propaganda? This was a question which the Study Committee should examine.

Mlle. Vacaresco and the delegate for Austria had invited Governments to include the teaching of the aims of the League of Nations in their educational programmes. The delegate for Roumania had asked the Institute to play a secondary rôle and not to take the place of the Governments or of those voluntary organisations whose activity was easily adapted to the interests of each country, namely, the Associations for the League of Nations. He thought that, where this propaganda and dissemination were concerned, the Institute should adopt a rather distant attitude and should not enter into the details of publicity which were not, properly speaking, part of its work.

The Committee would certainly vote the 35,000 francs which were asked for the translation into eight languages of a pamphlet, the excellence of which was generally admitted. In another year or two further translations would be requested. Was it necessary to burden the budget of Intellectual Co-operation with such a task? He did not think so. But it was a matter of personal opinion. He would reserve his decision until the Committee had received the conclusions arrived at by the future Study Committee. The Belgian Government awaited with confidence and sympathy the results of the work of this Committee.

M. DYMŠA (Lithuania) warmly supported the proposal for credits of 35,000 francs and a further credit for 5,000 francs. He hoped, on behalf of the Lithuanian delegation, that a translation into the Lithuanian language would be among those contemplated.

With regard to the technical difficulties of the task referred to by the Indian representative, the Lithuanian delegation was convinced that Governments would not refuse their help to the Secretariat in this matter. It was, nevertheless, desirable that the supervision of this work should be concentrated in the Secretariat in order that its uniformity and international character might be maintained.

M. VALDÉS-MENDEVILLE (Chile), Rapporteur, thanked the Committee for its kind response to his report. The Committee might congratulate itself on the fact that this debate would result in almost complete unanimity, subject to a few slight reservations, in favour of the creation of the Study Committee proposed by the Committee and by the Council and in the voting of the necessary credits.

Many interesting remarks and suggestions had been made and it was advisable that the Minutes of the Second Committee relative to intellectual co-operation should be communicated to the Study Committee as soon as it was formed.

Criticism had been made by M. Casares with regard to the following phrase of the report : " It cannot be denied that in the zeal aroused by the enormous interest of the subject more work was undertaken than it was possible to carry through ". He was ready to modify this phrase as M. Casares desired.

He was touched by the statement of the representative of Germany emphasising the importance he attached to the translation of Latin-American classics and thanked him for the compliments which he had addressed to the Latin-American delegations and more especially to that of Chile.

He also thanked Count Carton de Wiart and was of opinion that his remarks would be very valuable to the Study Committee, to which they would be forwarded in the Minutes.

Everyone was agreed upon the importance of the instruction of the young in the aims of the League of Nations, which was being considered not only by the Committee on Intellectual Co-operation but also by the Information Section of the Secretariat.

14. **Work of the International Committee on Intellectual Co-operation and of the International Institute for Intellectual Co-operation : Adoption of Resolutions : Appointment of a Rapporteur to the Assembly.**

M. VALDÉS-MENDEVILLE (Chile), Rapporteur, submitted the following resolution :

“ The Second Committee has taken note with satisfaction of the reports submitted by the International Committee on Intellectual Co-operation and by the Governing Body of the Institute.

“ It notes with pleasure that a number of new countries, in accordance with the recommendations of former years, have followed the example of Governments which had already granted subsidies towards the budget of the International Institute of Intellectual Co-operation. This brings up the number of States making grants to the Institute to nineteen and the total annual receipts to 3,260,800 French francs.

“ The Second Committee is gratified at the results obtained by the meeting of the representatives of the National Committees on Intellectual Co-operation and hopes that these meetings will be held periodically.

“ The Second Committee has learnt with interest of the proposal to institute a Committee of Enquiry as suggested by the Committee on Intellectual Co-operation, and already agreed to by the Council. The Second Committee in turn approves that proposal and thinks that the work of this Committee may be of great value both to the work and organisation of the Committee on Intellectual Co-operation and to the work of the Institute of Intellectual Co-operation.

“ The Second Committee is gratified at the great interest shown by States Members of the League of Nations in the question of the instruction of youth in the aims of the League.

“ It congratulates the Secretary-General on the handbook he has published with the aid of qualified experts on *The Aims and Organisation of the League of Nations* and requests him to take all the necessary steps to furnish the Governments interested with as many copies of this pamphlet as they may require, and with the translations necessary to the teaching staff.

“ The Second Committee considers the publication of the *Educational Survey* an essential complement to the work of the Secretariat in making known to the younger generation the aims and work of the League.

“ It approves the convening in 1930 of the Sub-Committee of Experts for the Instruction of Youth in the Aims of the League of Nations.

“ The Second Committee, in view of the great importance of the efforts made by young people to establish closer international co-operation, requests the Governments of all the States to give the greatest possible support to these efforts which encourage friendly relations between peoples.

“ The Second Committee takes note of the report submitted by the Governing Body of the International Educational Cinematographic Institute and expresses its interest in the work done by the Institute in collecting information and placing it at the disposal of all concerned.

“ It congratulates the Institute on the publication of the *International Review of Educational Cinematography*.”

He pointed out that he had added a ninth paragraph to the resolution in the sense of the proposal by the Austrian delegation, which he considered to be very important.

*The draft resolutions were adopted.*

Mr. BAJPAI (India) raised no objection to the adoption of the resolutions but said that his delegation must make a reservation with regard to the credits which the Fourth Committee would be asked to sanction.

The CHAIRMAN said that this reservation had been noted and would be recorded in the Minutes. He proposed that the Committee should appoint M. Valdés-Mendeville as Rapporteur on this question to the Assembly.

*The proposal was adopted.*

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SEVENTH MEETING

*Held on Tuesday, September 17th, 1929, at 3.30 p.m..*

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*Chairman: M. VAN LANGENHOVE (Belgium), Vice-Chairman.*

15. **Work of the Health Organisation : Examination of the Report by M. Fierlinger (Czechoslovakia) (Annex 6).**

The CHAIRMAN said that M. Velghe, Vice-Chairman of the Health Committee, and Dr. Rajchman, Medical Director of the Health Section, were present at the meeting and would be at the disposal of members of the Committee.

M. FIERLINGER (Czechoslovakia), Rapporteur, submitted and commented upon his report. Members of the Committee would see, by studying the annual report of the Health Organisation, that international collaboration in health questions had extended over a vast field and that the organisations of the League had dealt with the most urgent problems. The results obtained were due to a methodical and systematic concentration of effort. They had modified the attitude of the Assembly towards the Health Organisation. Whereas this Organisation had originally been considered as temporary and somewhat outside the real sphere of the League, it now had its own work to do and had obtained a *de facto* and *de jure* recognition. The report illustrated its methods of work. The enquiry into the treatment of syphilis was a striking example. The enquiry into infant mortality, begun in seven European countries, had been continued in four South American countries. The Malaria Commission had worked in Europe, in North America, in Asia Minor and even in India. Great results were expected from the study of the connection between the health services and the health insurance organisations, which had been undertaken in agreement with the International Labour Office.

He called attention to the fact that the Greek Government had accepted the conclusions resulting from the investigations, made at its request by the Health Organisation, into the reorganisation of the health services of Greece and had obtained from the Greek President the necessary powers and credits. Here he would emphasise the encouraging fact that States Members of the League of Nations were now asking for the assistance of the Health Organisation. Besides Greece, Bolivia had just asked for its collaboration, with a view to the reorganisation of her health services. Further, the National Government of China had invited the Medical Director to become a member of an International Committee of Technical Counsellors and had asked that a health expert in sanitary regulation of ports and quarantine should be sent out.

These various requests, however, raised difficulties for the budget, and he would particularly emphasise that the most important part of his report was perhaps that which concerned finance.

It had been impossible, when the budget had been drawn up in the spring, and even in the month of August, when supplementary credits had been provided, to foresee these requests or the extra investigations which they would entail. He therefore proposed that supplementary credits should now be asked for and he hoped that the Committee would adopt his proposal and recommend its adoption by the Fourth Committee.

He would point out that the Health Organisation budget, stabilised in 1925 at the sum of 1,000,000 Swiss francs, should really have developed along a line parallel with its activities which had been extended with the approbation and upon the recommendation of the Council. New tasks were continually devolving upon the Organisation, and it was very difficult not to accede to the requests of Governments.

It would be regrettable if the admirable experts at the disposal of the League of Nations were impeded for lack of funds. Although there was no question of purely political action, the work of the Health Organisation had a most salutary influence upon the relations between Members of the League : it created mutual confidence.

He appealed therefore to the Second Committee to show its confidence in the Health Organisation by adopting the draft resolution which would be found at the end of his report.

M. ITO (Japan) emphasised the importance of the relations between the Health Organisation and the national administrations of certain countries such as Greece, Bolivia and China, which all belonged to different continents.

He hoped that these relations would be effectively established, particularly in the case of China. The results of this collaboration would be valuable not only for China but for her neighbours. It was therefore much to be regretted if the lack of funds were to prove an obstacle. Referring to the Eastern Bureau at Singapore, which had been recognised as a regional bureau under the Sanitary Convention of 1926, he asked the Director of the Health Section if he did not think it possible to organise a study tour of quarantine doctors from the principal ports of the Far East. Finally, he would be happy to welcome at Tokio in the following spring the members of the Leprosy Commission. Japan was particularly grateful for this visit. The work of the Health Organisation, which spread not only over European countries but also into Asia and the countries of Latin America, was of an essentially international character, a fact which earned for it the special support of those coming from non-European countries. He warmly supported the conclusions of the Rapporteur, who had urged that the Health Organisation should be given the necessary financial means to accomplish its task.

M. SUVICH (Italy) said that his Government followed with sympathy the activity of the Health Organisation and appreciated the importance of its international work. The Italian delegation hoped for a closer co-operation between the Italian health administration and the Health Organisation. Italy attached peculiar importance to the question of rural health, for she considered agriculture to be the principal source of her prosperity, and most satisfactory results could be obtained in this field by the collaboration of the International Institute of Agriculture and the Health Organisation.

Finally, he would call the attention of the Organisation to the desirability of ensuring that its work should be permanent in its effects by going deeper into questions rather than by widening the scope of its activities ; by completing the tasks already begun rather than by undertaking new ones and thus risking a waste of effort. If the success of the work undertaken depended upon the people at its head, he thought they could rest assured that the competence of the Director of the Health Section was more than sufficient guarantee.

Mrs. HAMILTON (British Empire) congratulated the Rapporteur upon his work. The work of the Health Organisation represented an active, positive and constructive propaganda for the League of which the influence might be permanent. The British delegation supported



the request for additional credits submitted to the Fourth Committee and also supported the proposals concerning the budget of the Health Section.

She would express her gratitude for the generosity of the Rockefeller Foundation, to which allusion was made in the report. Public health was often a question of money and the activity of the Secretariat and the collaboration of Governments were essential to the success of the work undertaken.

Proof of the sympathy of Great Britain for the work of the Health Organisation was afforded by the fact that this country made its proposals on matters of health to the Health Committee rather than to the Assembly, precisely because of its confidence in the competence of the Organisation. The British delegation warmly appreciated the reports of the Health Organisation and hoped to receive them as soon as possible in order that the national medical work in Great Britain could be organised in collaboration with it.

She referred in this connection to the questions of syphilis, malaria and infant mortality, in the study of which the British Empire closely collaborated. A public trust fund had just been established in Great Britain for the purchase of radium which could be best utilised, thanks to the work of the Health Organisation, for the treatment of cancer by radium. She alluded to the enquiry into the protection of the blind, undertaken at the request of England and Scotland.

In conclusion, she said that the British delegation was more than satisfied with the work accomplished and desired to express its warm appreciation.

Mr. BAJPAI (India) expressed his high appreciation of the clarity and conciseness of M. Fierlinger's report, which was literally a survey of activities from China to Peru, and, for a survey so vast, extraordinarily lucid and inspiring. He used the word "inspiring" deliberately, because nothing was calculated to arouse emotion and kindle enthusiasm more surely or intensely than an account of beneficent endeavour, dedicated to the alleviation of human suffering. The credit for this was due, no doubt, to the Governments of the countries which had co-operated with the League. But it was due also to the Health Committee of the League, which had played an important part in the preparation of a considerable programme of work, and to the Director of the Health Section.

He associated himself with the delegate of the British Empire in expressing his gratitude to the Rockefeller Foundation for its generous decision to continue, for a further five years, its contribution in aid of the activities of the Health Organisation. By Asiatic countries, this news would be received with special gratitude, because of the immense and growing importance to them of the work of the Singapore Bureau.

He would observe, in regard to the general budgetary position, that no one who had carefully read the documents which had been supplied to the delegations could have failed to be struck by the technical as well as the territorial range of the activities of the Health Organisation. This wide range was, perhaps, inevitable in a domain so vast as that of medical science and especially in the domain of preventive medicine. The old adage that prevention was better than cure was to be applied on a large scale in the interests of public health. Each country was seeking to create, to readjust or to reform its sanitary services. If the Health Organisation was to play its part of helper and co-ordinator, so as to prevent error, to provide the lessons of tested experience as the basis of readjustment or reform and to avoid duplication of effort, it could not legitimately be expected to work within any rigid financial limits. If its activities were to grow, it seemed impossible that its budget should remain stationary. A statement of this character from a representative of India, which had always been a vigilant champion of economy, would, he hoped, be well received. At the same time, it would be unwise to ignore the prudent and patent canon of sound administration that the growth of expenditure must be justified by reasons which commanded general acceptance; that it must not be too rapid; and that it must be based on proposals which benefited all the States Members of the League whose problems were pressing and of general humanitarian as well as of practical scientific importance.

The East was receiving more and more attention from the Health Organisation, and India did not grudge the assistance which that body had given to countries in Europe or in Latin America. He would merely urge that, if there was to be an extension of the activities of the Health Organisation, the East, with its teeming humanity and multitudinous and deadly epidemics, should not be neglected. To this end, he made two suggestions. First, that the Health Committee, at its next meeting, should endeavour to formulate a programme of work for a reasonably long period, say three or five years, and append to it an estimate of expenditure. The programme and the estimate of cost should be circulated in time for the various States Members to be able to instruct their delegates to the next Assembly of the League to deal with it. This would enable the League to take a definite step on the path of systematic advance in 1931. If the Secretariat could, in the near future, ask the States Members to submit suggestions for consideration by the Health Committee, say in May or June, the task of framing a comprehensive and well-thought-out scheme of activity would be greatly facilitated.

He would make two other suggestions for the consideration of the Health Committee. The first related to the interchange of health officers. He asked the Health Committee to consider whether, with a view to enabling exchange of experience in regard to problems such as anti-malarial work in rural and industrial areas, an interchange would not be useful between countries in Eastern Europe and in Asia where conditions might be analogous.

His second suggestion was that the Health Organisation might arrange to provide facilities for the study of special problems of sanitary administration, such as a scientific system of water-supply, by Health Officers from the East in the more advanced Western countries where these elementary but essential measures had been perfected.

M. VELGHE, Vice-Chairman of the Health Committee, replied to the different questions which had been asked. He first thanked the Rapporteur and the delegates for the terms in which they had spoken of the Health Organisation. His thanks were particularly due to Mrs. Hamilton. The delay in the communication of reports to which she had referred must be due to a defect in organisation for which the Section was not responsible. Everything possible would be done to hasten their distribution.

He hoped that the Health Committee would be in a position to organise, as from 1930, the study tour in the Far East requested by M. Ito. The supplementary credits, however, must first be granted.

Replying to the delegate for India, he was of opinion that, to a large extent, it would be possible to meet his requests. The Committee would shortly organise a study tour in the Balkan States, in the Near East and in the Far East. With regard to infant mortality, he hoped that the work undertaken might be extended to India. A comparison between the different countries would result in more definite conclusions. Finally, the delegate for India might rely upon the goodwill of the Committee in respect of the facilities requested for the study of rural hygiene. He agreed with him upon the proposed five years' programme relative to the work in view and to the expenses entailed.

Replying to the delegate for Italy, he pointed out that the Committee worked in collaboration with the Institute at Rome and that an Italian official living in Rome had been appointed as a liaison agent.

M. Suvich had wondered whether it would not be better to wait before undertaking new work until the work already begun had been completed. This would certainly be the best method of procedure, if it applied only to proposals made within the Health Committee. But the question did not arise in this way. Among the tasks were those which arose from requests coming from States Members of the League of Nations. It would be difficult to refuse these requests and it would be undesirable to delay these undertakings. Moreover, the work undertaken in all continents was of interest to all countries, because the Committee only undertook work which might have an international bearing. For example, it was evident that when the ports of China were better equipped to fight contagious diseases, the security of other countries, even in Europe, would be far greater. These tasks would soon bear fruit, and their results would benefit the whole world.

Mme. CANTACUZÈNE (Roumania) warmly congratulated the Health Committee and expressed the gratitude felt by Roumania to the Rockefeller Foundation. Few countries felt greater interest in matters of health than Roumania. The Roumanian Government and private associations had recently made great efforts to stamp out infant mortality and had succeeded in lowering the rate very considerably. The enquiry undertaken upon the request of the Netherlands delegation was therefore of vital interest to Roumania. It was to be hoped that such enquiries would be carried out in Eastern and Southern Europe. She would suggest that a study committee should consider the creation of an international institute to study the physiological, intellectual and moral development of children in all countries. The institute would be divided into four sections, one for each continent, and should supply very valuable information.

As to the question of syphilis, the report had the full approbation of the Roumanian delegation in this matter but it was thought desirable for legislation to be passed determining the penalties to be applied to those who propagated this disease, and to make health certificates compulsory. The Roumanian delegation highly appreciated the study tours and their value as a means of information, particularly where rural hygiene was concerned, the progress of which had been slow in Roumania during recent years, although the question affected 80 per cent of the population. The Roumanian delegation was all the more willing to make the necessary efforts to obtain the requisite credits from the Fourth Committee and from the Assembly as it appreciated the exceptional value of the services rendered by the Health Committee and regarded this work as being to the honour of the League of Nations.

Mrs. JULL (Australia) said that there were no questions dealt with by the League of Nations which affected the life of nations and individuals more nearly than those dealt with by the Health Committee. The work of this Committee would alone justify the existence of the League. There were certain tasks which could not be undertaken so efficiently either by associations or by private experts. For example, it would not have been possible for private experts to conduct to a successful conclusion the comparative experiments on the serodiagnosis of syphilis. She further represented that the recommendation of the Sub-Committee for Radiotherapy and of the Cancer Commission might serve as a basis for practical work in all institutions using radium or X-rays. In Australia, the Federal Government and local Governments had granted subsidies for this work. She was of opinion that rapid enquiries best stimulated the attention of the general public and that the Health Organisation would do well to undertake certain clearly defined tasks every year or every two years.

With reference to the question of infant mortality, she referred to the importance of the preliminary enquiry which had shown that attention must be paid to premature births, stillbirths, and to the frequent mortality during the first eight days of child life. Maternal mortality was closely related to infant mortality and, though the latter had been reduced, the same could not be said of mortality among mothers. Further, these questions presented an interest of an economic nature, for the British economists had estimated the value of the life of a child attaining the age of twenty-one at £500 before the war. It would now be worth at least £800. The value of the

mother's life was increased by the fact that her death might entail that of the child deprived of maternal care. The Australian Federal Government was interested in the health services of all the different States and it secured from the British Government the services of Dame Janet Campbell, President of the Conference of Experts on Health and Child Welfare for a certain period in order that she might advise the Australian Health Administration upon the problems of infant mortality and child welfare. The enquiry made in this field was subsidised by the Government. The previous year the same Government had lent one of its officials, Dr. Cilento, of Brisbane, to the Health Committee, instructing him to undertake a preliminary enquiry, with the help of Dr. Hermant, of the French Colonial Service, into the health conditions of the Pacific Islands. The report would certainly throw most valuable light on these questions.

The activity of the Singapore Bureau and of its centre for epidemiological information was of peculiar interest to Australia, which would be put in touch, through Geneva, with the Far East and at the same time with the rest of the world.

If the Greek Government had understood that the problem of public health was a fundamental factor in the reconstruction of the country, this opinion was not shared by all Governments, or, especially, by taxpayers; and the value of preventive medicine, although its importance and national and international value were extremely great, had not as yet been as completely recognised as that of curative medicine. The Health Section could only respond to the appeals addressed to it if it had the necessary financial means. The Australian delegation therefore heartily supported the resolution presented by the Rapporteur.

M. SUVICH (Italy) feared that his preceding statement might have given rise to some misunderstanding. What he had wished to say was that, although there was pressing work, which the Health Organisation could not neglect, it must not be forgotten that in the field of health, if needs were unlimited, the means available were restricted. It was, therefore, preferable that the Organisation should confine itself to well-defined tasks and accomplish these rather than disperse its activities. Subject to these observations, he would say that he had not had any intention of opposing the request for supplementary credits formulated by the Rapporteur.

M. ANDRÉ ADÈS (Greece) expressed the gratitude felt by his Government towards the League of Nations and the Health Committee for having replied so promptly to the appeal which he had sent them in the month of October of the previous year. The preliminary work carried out by the experts, delegates from the Committee, was of great value and the Greek Parliament had just voted a law for the putting into force of their recommendations in spite of the financial sacrifices entailed by such a law.

He would add that the Under-Secretary of State for Health in Greece, Professor Pappa, was at the moment in Geneva in order to come to an agreement with the Health Committee upon the legal provisions which had been voted.

M. CHODZKO (Poland) traced the evolution of the work of the Health Organisation during the first decade of its existence. While in the first difficult years all its attention had been concentrated upon the urgent problem of post-war epidemics, questions of social hygiene, problems relative to tuberculosis, venereal disease, infant mortality and rural hygiene, had now the first place in its activities. But social scourges could only be met by preventive measures, and the Health Organisation had thus been led to study questions connected with sickness insurance. Sickness insurance services had at their disposal in certain Central European countries considerable financial resources (five billion marks per annum in Germany, for example, and, in Poland, nearly one billion French francs), and it would be necessary to establish collaboration between them and the public health services — a piece of work which the Health Organisation had undertaken. The German Government had tried to advance in this direction by instituting by decree an organ of co-ordination. It was therefore logical that, at this stage of the development of the activity of the Health Organisation, certain countries such as Greece, Bolivia and China should have applied to the Health Committee for the establishment of a plan for the general organisation of their health services. Although the activities of the Organisation might appear at first sight to be somewhat dispersed, a closer examination showed that they had evolved in a logical manner. It was therefore only natural that its budget should have increased. For these reasons the Polish delegation supported the request for an increase in the budget of the Health Organisation.

In conclusion, he thanked the Rapporteur and congratulated the Health Section and its Medical Director.

M. MISTLER (France) supported the request for new credits as formulated in the report of the delegate for Czechoslovakia. The French delegation had already instructed its representative on the Fourth Committee to support these proposals. It fully approved the programme for extending the work of the Organisation and appreciated the value of the enquiries undertaken. The French Government had followed with continuous interest the results of the enquiry into infantile mortality which had been partially carried out on French territory. This was a demographic problem of the first importance, for it appeared that it was at the present day easier to diminish infantile mortality than to increase natality. In France, from 1914 to 1927, infant mortality had decreased 14 per cent, and the figure of 7 per cent was in process of being attained, which was, it seemed, a minimum. Further, proof had been forthcoming in France that, when illegitimate children were given the necessary care, their mortality could be reduced to as low a figure as that of the mortality of legitimate children. In France in the last forty years the mortality of illegitimate children had been reduced from 30 per cent to 18 or 19 per cent. In this particular field of social assistance almost daily progress had been made.

The application of the new legislation on social insurance would certainly benefit mother and child by means of a whole series of health measures, and the action of the State would thus

complete the work of municipalities and individual groups. France hoped that the Health Organisation would codify in some way the results achieved in all countries in the matter of health instruction in order to facilitate the training of a body of specialists. In conclusion, he hoped that an enquiry would be made into the problem of influenza. He recalled the three great epidemics of 1918-19, 1927-28 and of 1928-29 and suggested that the districts through which the epidemics had swept should be noted in order to facilitate certain precautions for the future. The enquiry which would be undertaken in China would certainly yield information upon the origin and *foci* of certain epidemics. France took an active interest in the collective study tour which would take place in the following year on her territory and would extend a cordial welcome to all those who would take part in it.

M. KAO-LOU (China) congratulated the Health Organisation upon the work which had been done. He pointed out an omission in the *Year-Book* in which no mention of China was made. This was not due to negligence, either on the part of the Health Section or on the part of China, but simply to a lack of collaboration. He hoped that it would be possible to insert into the later publications a brief report entitled *Progress made in the Field of Public Health by the Municipality of Nanking*, showing that the work on public health had already been begun in this distant country. He hoped for great results from the journey which Dr. Rajchman was about to make in China upon the invitation of the Chinese Government. Referring to the budget, he hoped that credits would be found for a work of propaganda of such far-reaching importance.

Dr. BREITSCHIED (Germany) associated himself with the congratulations addressed to the Rapporteur. He was glad that China and certain States of Latin America desired the collaboration of an organ of the League of Nations. It was particularly in the field of health that the prestige of the League of Nations might be increased, for it was in the field of scientific work for the good of public health that the universality of the League of Nations could best be demonstrated. The German delegation therefore approved the supplementary budget demanding credits for this purpose.

Mr. O'SULLIVAN (Irish Free State) thanked the Rapporteur and the Health Committee, and emphasised the importance of the work so wisely carried out by the Health Organisation, in the execution of which there had been no waste of energy. Ireland was particularly interested in rural health. It would not be wise to suppress or diminish the necessary expenditure for the Health Organisation. He referred to paragraph 10 of the report from which it appeared that the work in China might be delayed for lack of credits, and to paragraph 14 of the same report which stated that, if certain measures were not taken, there could be no possible development for the Organisation, but rather an inevitable retrogression. From every standpoint the work of the Health Organisation was very useful and, for the propagation of the ideals of the League of Nations, there was no better method than that of the work accomplished in this field. Sickness was international in the sense that it stopped at no frontiers. He emphasised the value of the work of the bureau of Singapore, whose services improved every year, and concluded that no expenditure was better justified than that of the Health Organisation. He therefore supported the request that the budget should not be diminished and that supplementary credits should be granted.

Dr. RAJCHMAN, Medical Director, emphasised the importance of the supplementary credits requested in the report. There were two undertakings to be financed : first, the work relative to the collaboration of the Health Committee with Latin America, for which a special credit of 100,000 francs had already been voted, now required, according to the detailed study of the requests submitted, a further sum of 100,000 francs ; secondly, the item appearing in the budget of the Health Organisation for enquiries, special missions and the work of the sub-committees must be increased by the sum of 150,000 francs, so that the work on leprosy and on infant mortality might be extended to the Far East, and so that the work entailed by the establishment of a closer liaison with the Chinese National Administration might be undertaken. He thanked the Chinese Government for the honour it had done him in inviting him to become a member of the International Committee of Technical Counsellors to the Ministry of Health. Further, the Chinese Government had recently asked the Committee to send experts to China to collaborate with these technical counsellors and with the Ministry with a view to a health enquiry on seaports and the establishment of a Chinese service of quarantine. The delegate for China might rest assured that the Health Organisation would collaborate with the Ministry of Health at Nanking in the spirit in which it had already given aid to all the Members of the League of Nations.

M. KAO-LOU (China) thanked Dr. Rajchman for his friendly statement with regard to China and, in the name of his Government, welcomed him in advance to his native land.

M. FIERLINGER (Czechoslovakia), Rapporteur, summed up the recommendations made by the members of the Committee and assured them that he would take these into account in his final report. He promised the delegate for India to emphasise the points relative to the health question in the Far East and more especially to infant mortality. The remarks of the delegate for Italy would be borne in mind, together with those of Mme. Cantacuzène, relative to the organisation of a special institute for the study of child welfare. In this matter he would suggest that the Roumanian Government should take the initiative in a concrete proposal which should first be examined by the Council. Referring to the observations of the French delegate, he considered that these should be transmitted to the Health Committee. Passing to the remarks of the delegate for China, he said that, if relations between China and Europe had not always been of the best, it was the more essential to seek a better basis for relations in the future. It was in a friendly spirit that the delegate of the Health Organisation would visit China. The League of Nations followed with the greatest interest China's efforts towards a better future, and he hoped that the Health Organisation would do all in its power to answer the appeal of the Chinese Government.

Mr. BAJPAI (India) wished to rectify a passage in the last observations of the Rapporteur. He had intended to allude only to the future in his observations upon the introduction of the question of infant mortality in India into the programme of the work of the Health Organisation.

*The report of M. Fierlinger was adopted, subject to the adjustments to be made by the Rapporteur as a result of the discussion.*

**16. Work of the Health Organisation : Adoption of a Draft Resolution : Appointment of a Rapporteur to the Assembly.**

The CHAIRMAN submitted to the Committee the following draft resolution :

“ The Second Committee :

“ Notes with satisfaction the results achieved by the policy which the Health Organisation has persistently followed of concentrating on certain well-defined branches of international public health.

“ It notes in particular that the Health Organisation systematically draws practical conclusions from the comparison of national experiences and places those conclusions at the disposal of Governments.

“ It desires to express its appreciation to the health administrations of the different countries as well as to the members of the Health Committee and to the experts who have contributed to this work.

“ It considers that the Health Organisation is pursuing, from an international point of view, a work of great importance, by co-operating and consulting with national health administrations in the different continents.

“ It approves the work carried out by the Health Organisation since the last Assembly.

“ It directs the special attention of the Assembly to the work of the Health Organisation in Latin America and in the Far East, which necessitates the provision of supplementary credits.

“ It approves the budget estimates relating thereto and forwards them for the favourable consideration of the Supervisory Commission and of the Fourth Committee.”

*The draft resolution was adopted.*

On the proposal of the CHAIRMAN, M. FIERLINGER (Czechoslovakia) was appointed Rapporteur to the Assembly upon the work of the Health Organisation.

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## EIGHTH MEETING

*Held on Wednesday, September 18th, 1929, at 3.30 p.m.*

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*Chairman: M. MORRA (Switzerland).*

**17. Economic Work of the League of Nations : Examination of the Report presented by Dr. Breitscheid and of the Amendments proposed by the Drafting Committee (Annex 2a) : Adoption of Resolutions.**

DR. BREITSCHIED (Germany), Rapporteur, gave some explanations concerning his preliminary draft report as revised by the Drafting Committee. The draft was still only preliminary, as the discussion was not yet at an end and new suggestions might still be entertained.

He wanted especially to thank the staff of the Secretariat for the active collaboration which it had afforded him and which had enabled him to accomplish his task so rapidly.

He then called attention to the amendments added to the text of the report in accordance with the suggestions made during the preceding debates. First, there was the problem of economic co-operation. The essential point seemed to him to be the fact that it was unanimously desired, as Mr. Dalton had already said, both to continue the work of the Economic Organisation of the League of Nations along the lines hitherto followed, and to study new methods which might lead to economic co-operation between nations.

On the subject of the Customs truce, the Drafting Committee had agreed to propose an economic armistice of two to three years' duration. The Drafting Committee had particularly tried to indicate what would be the order of events. There would be three stages :

(a) Invitation to all States to declare whether they desired to participate in the Conference for the Customs truce ;

(b) Negotiations, spreading over a fairly long period, between those States which had adhered to the undertaking relative to the Customs truce ;

(c) A final meeting to sanction the results of the negotiations, to which should be invited all States, without distinction, in order to give them an opportunity of participating, if they so desired, in the collective agreement.

On the subject of the coal question, he would call attention to the two following points in his report :

(1) The International Labour Conference, 1930, which should discuss hours and conditions of labour and wages in the mining industry ;

(2) The consultation of experts convened for September 30th, 1929, to deal with the immediate difficulties in this industry.

The Drafting Committee had agreed on the matter of the convening of a Conference of Governments interested and had formulated a paragraph as follows :

“ The Assembly invites the Council on the one hand to consider the recommendations which the Economic Committee may formulate as a result of the meeting of experts convened for September 30th, with regard to the difficulties at present encountered in the coal industry, in particular the fluctuations in price and the existing difference between production and consumers' needs, and, moreover, to consider, taking into account more especially the results of the above examination, the possibility of convening a Conference of the Governments to study the recommendations in question.”

For the Diplomatic Conference on Sugar, the Drafting Committee proposed the same procedure as for coal.

He then enumerated the amendments which had been inserted in the preliminary draft in consequence of the suggestions made during the debate. They concerned :

- (1) The treatment of foreigners (it was recommended that the problem of the admission of foreigners, considered from the economic aspect, should be examined) ;
- (2) Agricultural products and the execution of arbitral awards ;
- (3) The importance of the publications of the Economic and Financial Organisation of the League (on this point the Drafting Committee paid a tribute to the Rockefeller Foundation which had facilitated the work in this field) ;
- (4) The establishment of a simplified and uniform Customs nomenclature ;
- (5) The economic tendencies which might influence the peace of the world.

The delegation of New Zealand, in a letter addressed to the Chairman and read by him to the Committee, declared that it had no observations to make upon the report and the resolutions therein contained. It, however, emphasised the fact that it agreed with the declarations made by other speakers with regard to the necessity, where young countries — whose economic organisation was as yet imperfect — were concerned, of having recourse to Customs tariffs to protect their infant industries. It also emphasised that Customs tariffs as a means of national revenue were perfectly legitimate.

Sir G. L. CORBETT (India) said that the report of Dr. Breitscheid covered a very wide field and raised a large number of questions of particular interest to India. He would refer only to the two most important resolutions submitted to the Committee. The resolution concerning coal contemplated the convening of a preparatory technical Conference to which the representatives of the mining countries of Europe would be invited. India was also a country which produced coal. If the object of the Conference was merely to suggest to the Governing Body of the International Labour Organisation what questions relating to conditions of employment in coal-mines in Europe should be included in its agenda, its constitution would be appropriate ; but a body so constituted would not be competent to advise on questions relating to conditions of employment in coal-mines outside Europe. This was a point which would have to be made clear in the resolution.

The question of Customs tariffs appeared to him to be primarily a European one, and he pointed to the contrast between Europe, divided as it was by a great many Customs barriers, and India, which, with its enormous population, constituted a single Customs territory. Undoubtedly, tariff discrimination and tariff bargaining were the economic evil with which any Conference would primarily have to deal. Agreeing with the delegate of Australia, he pointed out that the Economic Conference of 1927 had not condemned tariffs as such, nor had it proposed a general lowering of all tariffs of every kind, and he quoted the exact text of the recommendation of the Conference on this subject. He added that it was to this declaration that the delegation of India had adhered, and he was sure that Dr. Breitscheid had not intended in his report to go beyond it. The new drafting of the report was satisfactory, but he considered that it was important that there should be no misunderstanding on this point. The word “ tariff ” had become in many countries a synonym of excessive tariff, of tariff hampering trade, but India considered that the Customs tariff she imposed was moderate and in conformity with the principles approved by the Economic Conference. It was primarily a revenue tariff. It was a tax on consumption, and was well suited to a country where direct taxation was unpopular and individual incomes were small. This tariff always took into account the effect on the consumer and on international trade.

In addition, from time to time, protection was given to industries which, after a full and public enquiry by a Tariff Board, were considered to have natural advantages which would enable them, within a calculable time, to stand up to world competition without protection. These protective tariffs were few and the period for which they were accorded was ordinarily limited by statute. High protective tariffs were as far as possible avoided even for a limited period : for example, two years ago, when the great cotton textile industry had been threatened by what the Tariff Board considered unfair competition, help had been granted not by an increase in import duties on cotton piece goods but by removing the revenue duties on machinery and certain chemicals, dyes and other materials employed in this industry.



He regretted therefore that he would be unable to undertake on behalf of his country to support any resolution or to participate in any conference which would bind India to refrain from increasing its Customs duties for a term of years, for the tariff in his country was primarily a revenue tariff and it was impossible to foresee what would be the future revenue needs of India. He admitted that the text of the resolution only referred to protective tariffs, but he emphasised the difficulty of distinguishing between protective tariffs and revenue tariffs or of drawing a line of demarcation between them. A revenue duty often had, as a kind of by-product, some protective effect, and, when a revenue was being framed, it might be right and proper to consider its effect on the producer, as well as on the consumer. India therefore would undertake nothing which she might be unable to carry out.

Moreover, India was not prepared to suspend for a term of years her protective policy. She considered that it was sane, moderate and necessary for the economic welfare of the country. India had not abused her fiscal freedom in the past, and there was no reason why she should be expected to fetter her freedom now. He appreciated that such an undertaking might be necessary in some cases in order to create "an atmosphere of confidence", but there was nothing in the tariff policy of India, past or present, that need disturb the confidence of anyone. Many speakers had alluded to the tariff war in Europe, and had described the proposed undertaking as a "tariff truce" or a "tariff armistice". Such an armistice should be for the belligerents, and India, which was neutral in this war, need not be expected to be a party to it.

He had understood the terms of the resolution to mean that the undertaking was to be a condition precedent to participation in the final Conference "to frame a first collective agreement for diminishing hindrances to trade and developing and facilitating economic relations by all practicable means"; and he was glad to see that the procedure now outlined in the draft report provided that all States without distinction would be invited to participate in the final Conference. It was too early yet to consider whether India would accept such an invitation; but other countries might find that, from their own point of view, the conference might suffer from the absence of such an important consumer of goods manufactured in Europe. The economic recovery of Europe depended to a considerable extent on the prosperity and increased purchasing power of the vast populations of countries like India. India was primarily an agricultural country, and could not purchase manufactured articles from Europe unless she could find a fair market for her exports of agricultural produce. He hoped that efforts would be made, first, to check any tendency towards raising tariff barriers against agricultural produce; secondly, to stabilise agricultural prices; and, thirdly, to rationalise the distribution of agricultural produce.

M. Iro (Japan) said he would only deal with the proposal put forward by the French, British, and Belgian delegations for a tariff truce. He was fully in sympathy with the fundamental idea. He desired, however, this conception to be universally applied, and for that reason he would ask for the following explanations. What would be the criterion used to distinguish between the two classes of Customs tariffs, namely, fiscal tariffs and protective tariffs? If the criterion were arbitrary, the result of the Customs truce would also be arbitrary. Once the criterion was admitted, would an increase of fiscal duties be allowed? The effects of the war upon the economies of the different countries had involved a necessary readjustment of Customs tariffs, which certain countries were in process of achieving. The countries which had completed this readjustment would more easily accept the Customs truce than the other countries. Would the two classes of countries be placed upon the same footing?

It was essential that the Customs truce should be universal and worldwide. What would be the position of the overseas colonies of the European Powers? Would the Customs truce apply in the same way to these colonies? That was a question which was of great importance to the countries adjacent to these colonies. Finally, certain overseas countries had declared that they would find it difficult to adhere to the Customs truce. What would be the practical result of their abstention?

Mr. O'Sullivan had said that such an abstention would be a first stage towards the realisation of a United States of Europe. He would like on this subject to submit an observation.

The establishment of a United States of Europe, which everyone was discussing, though no concrete proposal had been made, was a continental and geographical conception. It had been said that this idea would be carried into effect under the auspices of the League of Nations. The League of Nations, however, since its foundation, had been conceived upon a universal plan. How would the principle of universality be reconciled with the continental principle of a United States of Europe?

M. Stucki, in support of the thesis which he had put forward on the relation between collective treaties and the most-favoured-nation clause, had emphasised two arguments, one of which was legal and the other of a moral character. He had emphasised the injustice, from the moral point of view, of a country which alone remained outside a collective treaty concluded between all its neighbours being allowed to benefit from this agreement in virtue of the most-favoured-nation clause when it had refused to accept the responsibilities which the agreement entailed. He agreed that, morally, there would here be an injustice. What, however, was to be said of the case in which a collective treaty had been concluded between several Powers and a fairly large number of other countries remained outside the treaty because it had been drafted in such a way that their accession was materially impossible? Could it be said that the countries thus excluded from the treaty should forfeit the advantages accruing to them under the most-favoured-nation clause? That was a question of which the full seriousness would be realised when the United States of Europe became an accomplished fact. Mr. O'Sullivan had declared that the idea at the root of world economy should be the principle of non-discrimination. He wondered whether, in respect of the relation between collective treaties and the most-favoured-nation clause, it

would not be possible to find a more satisfactory solution than had hitherto been proposed, founded upon the just principle of non-discrimination in economic matters,

What, finally, would be the position if, admitting that the thesis of M. Stucki were just, the countries which remained outside a collective treaty adopted measures of defence either unilateral or collective? Would these not result in opening, in the economic field, a period of competition rather than the era of peace which everyone desired?

M. ČURČIN (Kingdom of Yugoslavia) cordially welcomed the new effort which certain Governments, and particularly the French Government, had made towards achieving closer economic collaboration between States, and particularly between the European States. This tendency towards collaboration had become increasingly noticeable since the war. The most striking circumstance, however, was the present effort to find the most effective and practical methods of rendering the collaboration effective in the economic and political field. He summarised the reasons which were urging the nations towards collaboration, particularly in the economic sphere.

The countries which, before the war, dominated the world market could no longer sell goods abroad at a profit, and they were therefore proposing that the Customs tariffs of other countries should be abolished. These countries, however, could only allow themselves the luxury of low tariffs if they were helped, particularly by means of credit facilities, to reduce their cost of production to the same level as that of the countries which no longer needed Customs protection. Tariffs, moreover, could not everywhere be on the same level. It was necessary, in order to fix them, that the Secretariat should periodically consider the principal factors in the cost of production in each country.

Nothing, however, had been done in this direction. The countries with high tariffs had prudently taken no steps. The United States of America, fearing an unfavourable trade balance, had decided to protect their agriculture. Protectionism had in Eastern Europe created new sources of friction, at first between the various national interests and, secondly, between the countries of Europe which were no longer able to conclude commercial treaties. The production of certain European countries, stimulated by abundant credits from abroad, had in some cases shown an increase, but their prosperity had not developed. Increasing prosperity seemed to be the exclusive privilege of the United States, which had succeeded in constantly increasing their production by exporting goods and impeding imports by increasing their tariffs. Thanks to rationalisation and wholesale production, they were achieving an enormous success.

They were advising the Europeans to follow their example. In Europe, however, rationalisation or the scientific organisation of production had made only very slight progress. The League of Nations had abandoned the idea and was leaving the question to the International Labour Office.

What had hitherto been done? Fortunately, there was no longer any idea of beginning with the abolition of tariffs, but a proposal for a truce had been put forward. Would it be possible within the two years of the truce to clear the ground for an economic understanding or an economic reorganisation? The competition between industrial countries was proceeding parallel with the competition between agricultural countries. An understanding would be necessary between the agriculturists of the industrial and of the agricultural countries under the auspices of the League of Nations. That idea was at the basis of the suggestion for the appointment of an advisory agricultural sub-committee of the Economic Committee, and he was personally in favour of establishing that sub-committee.

As to the special question of coal, it was necessary to enable the International Labour Office to constitute a well-equipped economic section, or to instruct the League of Nations or the International Labour Office to prosecute an enquiry covering the economic and social aspects of the problem.

Finally, he would, in reference to the veterinary resolution, distinguish between two categories of countries. There were importing countries which were very exclusive and very nervous of infection, and there were exporting countries which desired to secure free access to foreign markets. The Economic Committee had delayed in drawing up standard rules of veterinary control and police measures. He would like this work to be begun and to be expedited in respect of the measures to be taken against the abusive application of veterinary police measures whose objects were purely economic.

M. ANDRÉADÈS (Greece) thought that the fiscal character assumed by Customs tariffs since the war had been rather left in the shade. The system of taxation had been modified owing to the difficulties experienced in imposing a direct and productive taxation and the consequent resort of the countries to indirect taxation. Political reasons accounted for a good deal of these difficulties. In order to maintain the principle of a universal, at the same time as a progressive, system of taxation, it had been necessary to rely more upon indirect taxes and particularly upon the taxation of luxuries. That had given rise to increases in certain Customs tariffs. It followed that it would be impossible to secure the decrease of Customs tariffs imposed for fiscal reasons so long as public expenditure could not be decreased. On the other hand, the distinction between fiscal tariffs and protective tariffs was difficult to establish.

As a believer in free trade, he willingly associated himself with the views of M. Hymans and his efforts towards economic disarmament. He thought, however, that economic disarmament would not be successfully achieved so long as Europe was divided by national animosities and so long as there were internal rivalries within the nations themselves.

The delegation of South Africa, while abstaining from taking any part in the discussion, associated itself, in a letter read by the Chairman, with the declarations which had emphasised that it was necessary for the young nations whose development was still immature to impose tariffs with a view to protecting their young industries.

M. ENSTRÖM (Sweden) limited his observations to the question of the Customs truce. He was happy to note that several speakers had recognised that Sweden, far from following the tendency to increase Customs tariffs, had always kept its tariffs on a low level and had devoted its attention to carrying out the recommendations of the Economic Conference.

As a consequence Sweden took a keen interest in supporting any scheme which would tend towards achieving the aims of that Conference. It must not, however, be pretended that there were not considerable difficulties in the way of the plan which had been proposed. First of all, the plan must be universal or must at least include a large majority of States. Otherwise, the results would probably be inadequate or even contrary to the object which was being pursued. Another danger which must be avoided was the temptation, which certain countries might have, to profit from the interval which would elapse before the beginning of the Customs truce and to increase their tariffs. Nevertheless, in the event of an honest application of the truce by all the countries whose Customs tariffs were already fixed at a fairly high level, the plan might be looked upon as a useful instrument to promote further negotiations with a view to a general lowering of tariffs. To this end, no efforts should be neglected, and the Swedish delegation was, therefore, in principle, favourable to a careful examination of the scheme.

He would vote for the draft resolution, but wished to emphasise, at the same time, the observations he had made on the conditions which seemed to be indispensable for the success of the plan. For these reasons it was also clear that, at this early stage, the Swedish Government could not possibly accept beforehand any arrangement that might be reached. He also wished to add that, already, before answering the invitation to the Conference regarding the truce, the Swedish Government would have to take into careful consideration the actual situation at that time and any changes in the economic policy of the different States that might have taken place.

M. PORTELA (Cuba) supported the proposal for the convening of a conference on sugar. Cuba was the largest producer of sugar in the world. He described the economic crises caused by fluctuations in the price of sugar during recent years. If a means of putting a stop to these fluctuations in price could be found, a great service to humanity would be rendered. The lack of balance between the production and the consumption of sugar was the cause of the crisis. If the conference could manage to render production normal and bring it into relation to consumption, it would have accomplished a work of the first importance for the world in general and Cuba in particular.

M. DE VASCONCELLOS (Portugal) said that the situation of his country had been explained to the Economic Committee and to the Assembly. Portugal was in a rather disquieting economic and financial position. The considerable efforts made by the country had enabled a scheme of economic reconstruction to be carried out which was beginning to bear fruit. It would accordingly be difficult for Portugal to give any formal undertakings as to the future of her Customs system. She had, however, already proved her goodwill by signing, almost without reservation, the Convention dealing with the restrictions upon imports and exports. The procedure contemplated by Dr. Breitscheid, in his report upon the scheme, would doubtless enable Portugal to vote in favour of the draft resolution under discussion, which reserved full independence for Governments with regard to undertakings in connection with their Customs policy.

M. KOLSTAD (Norway) warmly congratulated Dr. Breitscheid on his report, and said that he entirely agreed with his statement on the work of the Economic Committee in the commercial and industrial field. He noted with satisfaction the proposal to add agricultural experts to the Economic Committee, and thought that a remedy would thus be found for the difficulties in which agriculture found itself involved in nearly all countries. He entirely shared the opinion of M. Loucheur on the importance of the present agricultural questions.

He was less optimistic than Dr. Breitscheid, who had expressed the hope that the Conference to discuss the draft Convention on the Treatment of Foreigners would draw up a more liberal text than that of the present draft Convention. In view of the differences between the legislation of the countries interested, legislation which was dictated by circumstances and conditions peculiar to each country, and which often was the result of national tradition, he thought that the Conference would be much to be congratulated if it could succeed in taking a step forward towards the goal referred to in the draft Convention. Too much optimism in this field could only lead to disappointment.

The Norwegian delegation agreed in principle with the Anglo-Franco-Belgian resolution suggesting the convening of a Conference to study a first collective agreement for the reduction of obstacles to commerce and proposing a Customs armistice for a period of two years. It desired, however, to make one reservation as regards the Customs truce in view of the possible difficulties which might arise in the Norwegian Parliament as a result of the unemployment crisis, if it were asked to pledge itself for a comparatively long period. Moreover, the possible adhesion of Norway would in any case depend, to some extent, upon the adhesion of certain other European countries.

With regard to the two resolutions on coal and sugar, he took it for granted that, if the resolutions were adopted and the Conference of Experts were convened, the participation of representatives of partially or entirely consuming countries would be made possible.

Mr. O'SULLIVAN (Irish Free State) was of opinion that the report did not sufficiently take into account the objections raised by the delegations of countries with under-developed industries. The Committee had definitely admitted the differences of view as between the delegations of these countries and the others. He drew attention to the inadequacy in the drafting of certain passages of the report.

He proposed the following amendments to the Resolutions contained in the report :

“ *Resolution I (d).* ”

“ Recommends that negotiations should be begun between such Members of the League of Nations and non-Member States as may desire to participate therein, with a view to promoting, at the earliest possible date, a meeting which would be convened by the Council to frame a first collective agreement for developing and facilitating economic relations by all practicable means, and especially by lowering *excessiv* *tariffs* [instead of ‘ Customs barriers ’] and reducing other hindrances to trade, while taking account of the provisos and reservations necessary to meet the just demands of States which are still at an early stage of their industrial evolution, and do not wish their freedom of development to be hampered. ”

“ *Resolution I (e).* ”

“ In order that the preparatory work and the negotiations themselves should be pursued on a firm basis, and in an atmosphere of confidence, it also recommends that States which are prepared to participate therein, other than States which are at an early stage of their industrial evolution . . . ”

The CHAIRMAN suggested that the amendments of Mr. O’Sullivan should be sent to the Drafting Committee, to which Mr. O’Sullivan himself might be attached. A British amendment had also been proposed, which could be discussed by the Drafting Committee on which the British delegation was represented.

M. LOUCHEUR (France) thought it would be regrettable to follow Mr. O’Sullivan in an error of principle. Undoubtedly account must be taken of the special position of each of the countries. All, however, that was proposed at present was to ask the countries to consent to negotiate upon a scheme established by the Economic Committee. When the moment for negotiation came, the States could make any reservations which they thought desirable and France would not fail to do so. It was impossible, however, in a recommendation to take account of the special reservations of each country.

He invited the Committee to have confidence in the Drafting Committee. He was afraid that the repeated delay would give rise to new discussions, and that would only have the result of delaying the solution of the problem. He added that everyone had now had the opportunity of expressing himself freely in the Committee. The discussion had been an interesting one, and he himself would bear in mind many suggestions that had been made.

He would state, in reply to M. Ito, that he fully appreciated all the difficulties of the question. He would invite him, however, to take up the work in a spirit of optimism and goodwill. He desired to pay a tribute to the excellent work of Dr. Breitscheid and he would add that, at present, the Committee was merely indicating to the world that there were evils to be cured and was proposing that negotiations should be started in order to discover a remedy. Those who desired would participate in the negotiations. No one would be committed and he would express the hope that the participants would be numerous. Whether the Conference succeeded or not, only time would show. The importance of the question made it worth while to make the attempt.

Dr. BREITSCHIED (Germany), Rapporteur, replying to the question asked by M. Ito, explained that the Customs truce in question would probably take the form of a collective convention. In such conventions everything depended upon the wishes of the contracting parties.

It seemed to him impossible to decide now upon the details of the Customs truce. More exact information would come automatically if the Secretary-General of the League of Nations were requested, when he invited the States to take part in the Conference for the Elaboration of an Economic Armistice, to ask them, at the same time, whether they considered it necessary to provide for exceptions and for what reasons. It would then become evident that, in certain cases, these reasons were of a fiscal and, in others, of an administrative nature, etc.

In this way the questions would be answered automatically and the Governments which would take part in the collective convention would agree on the exceptions to be admitted.

He did not therefore think it necessary to burden the report with details as to the nature of the Customs truce. This question would be dealt with in due course.

The CHAIRMAN said that the differences of opinion only applied to Resolution No. 1, which would be submitted to the Drafting Committee. He would request the Committee to decide upon the resolutions from No. 2 onwards.

*Resolutions Nos. 2 — 11 were adopted.*

Sir G. L. CORBETT (India) referred to a question he had asked as to the powers of the Conference which was to deal with conditions of labour in the coal industry.

Mr. DALTON (British Empire) replied that the proposed agreement concerning coal only affected European countries and that he could consequently assure the representative of India that it was not proposed to include India within the scope of the arrangement.

Sir G. L. CORBETT (India) said that he was satisfied with the explanation given.

Mr. DALTON (British Empire) pointed out that the text adopted was the French text.

## NINTH MEETING

*Held on Thursday, September 19th, 1929, at 3.30 p.m.*

*Chairman: M. MORRA (Switzerland).*

**18. Work of the Financial Committee : Examination of the Report presented by M. Gliwic (Poland) (Annex 7) : Adoption of a Draft Resolution : Appointment of Rapporteur to the Assembly.**

M. GLIWIC (Poland), Rapporteur, commented briefly upon his report. He wished to call attention to the contrast between the manifold and satisfactory results obtained by the Financial Committee of the League of Nations and the poor and meagre harvest of the economic work of the League, though both had been pursued with the same zeal and enthusiasm. The results obtained by the Financial Committee in Austria, in Hungary, in Greece, in Bulgaria, were concrete facts, which no one could either dispute or deny. Such success had rarely been recorded in the economic sphere. Might not the reason for this difference be, as he had already pointed out in a speech on the economic activity of the League, that, in economic matters, work was often undertaken without necessary discernment, discrimination or caution, making no allowance for the existence of disparities between different countries. In financial matters, on the contrary, generalities were put on one side in favour of difficult but concrete tasks. The League of Nations in this matter avoided universal remedies, studied each phenomenon separately, and appreciated its intrinsic and individual value. While some countries, undeveloped from an economic point of view, hesitated to accept certain economic resolutions drawn up by the League of Nations, they had an unstinted admiration for its financial work. Moreover, by re-establishing the finances of any individual country, the economic situation of civilised nations became consolidated as a whole. The work of the Financial Committee had established in a striking manner the truth of the maxim proclaimed by the International Economic Conference that nations were economically interdependent.

He called particular attention to the examination of the excessive fluctuations in the purchasing value of gold, an examination undertaken with caution by specialists of international reputation.

He submitted the following resolution to the Committee :

“ The Assembly :

“ Takes note of and expresses its satisfaction with the work of the Financial Committee ;

“ Particularly appreciates that the study of the undue fluctuations of the purchasing power of gold has been begun and hopes that this most important work may contribute to the economic well-being of all nations.”

M. SUVICH (Italy) congratulated the Polish delegate upon his concise report which gave, in a few pages, a complete survey of the work of the Financial Committee. The length of the document was in inverse proportion to the importance of the subject. As a member of the Financial Committee he insisted on the remarkable practical results of the work of this body. He called the attention of the Committee to the part of the report relative to the liquidation of the Autonomous Office for the Settlement of Greek Refugees. It should be recognised that the technical organisations of the League of Nations knew not only how to intervene at the right moment to give necessary aid but were also, in due course, ready to undertake the work of liquidation and to suppress a control which was no longer justified. This was a great quality and one source of the confidence which attached to the work of the Committee.

M. HELDRING (Netherlands) joined in the tribute paid to the Rapporteur and to the Financial Committee which had accomplished a work of tangible importance. He wished to call particular attention to the passage of the report relative to the institution of a permanent Fiscal Committee. The nationals of several countries represented at the League suffered from the existence of double taxation. The institution of a permanent fiscal committee would provide for the remedying of this situation, and he thought that in a very few years remarkable results might be obtained.

M. GLIWIC (Poland) thanked his colleagues and pointed out that, if his report and the speeches had been short, the work of the Financial Committee was not only considerable but magnificent.

*The report of M. Gliwic was adopted.*

*The draft resolution presented by M. Gliwic was adopted.*

*M. GLIWIC was appointed Rapporteur of the Committee to the Assembly for the work of the Financial Committee.*

## TENTH MEETING

*Held on Friday, September 20th, 1929, at 3.30 p.m.*

*Chairman: M. MOTTA (Switzerland).*

19. Report on the Work of the Organisation for Communications and Transit between the Ninth and Tenth Ordinary Sessions of the Assembly : Examination of the Report presented by M. Cobián (Spain) (Annex 8) : Adoption of Resolution; Appointment of Rapporteur to the Assembly.

M. COBIÁN (Spain), Rapporteur, before commenting on his report, thanked the Secretariat for the help which it had given him in its preparation.

The work accomplished by the Organisation for Communications and Transit since the last Assembly was considerable. He had only mentioned the principal questions in his report. He would particularly draw attention to the enquiry relative to the competition between railways and waterways on the Rhine and the Danube, now at an end; the discussions of the Committee on Road Traffic with a view to the preparation of a convention on commercial motor transport; the work done for the unification of road signals; the examination of a number of disputes relating to the railways of Central Europe. He would emphasise the success achieved in this field on the question of the jurisdiction of the European Commission of the Danube. The Organisation for Transit had, moreover, held a special conference on the question of transit cards for emigrants. It had obtained interesting results with regard to passports and identity papers. Finally, its work for the simplification of the calendar and the stabilisation of the date of Easter had made great progress.

The Organisation for Communications and Transit had, moreover, prepared a new conference which would take place at the end of the year to study the problem of the transport of newspapers and periodicals in Europe. It had completed the preparations for conferences to be convened the following year, one on certain questions of river law in Europe and the other on the unification of buoyage and lighting of coasts. A special committee would examine the problem of air navigation.

He would ask the Committee to adopt his draft resolution which emphasised the importance attached to the meeting of the Special Committee to enquire into questions of civil air navigation and requested the Advisory and Technical Committee to place upon the agenda of the Fourth General Conference on Communications and Transit the examination of the recommendations which might be made as the result of the study undertaken for the simplification of the calendar and the stabilisation of the date of Easter.

The draft resolution was as follows :

“The Assembly has reviewed the work of the Communications and Transit Organisation carried out between the ninth and tenth ordinary sessions of the Assembly.

“It is gratified to find that, thanks to the work done during the last years by the Advisory and Technical Committee, a conference can be summoned in 1930 for the Unification of Questions of River Law in Europe, and also a Conference of Maritime Countries for the Unification of Buoyage and Lighting of Coasts. It trusts that, as a result of these conferences, navigation facilities will be increased.

“The Assembly attaches particular importance to the meeting of the Special Committee to enquire into questions of civil air navigation, which the Advisory and Technical Committee proposes to hold early in 1930 for the purpose of ensuring the closest co-operation between the civil aviation undertakings of the various countries.

“It notes the great interest taken by the economic circles of various countries in the studies undertaken regarding the simplification of the calendar and also the establishment of National Committees to enquire into this question. The Advisory and Technical Committee is requested to place on the agenda of the Fourth General Conference on Communications and Transit the consideration of any recommendations which may be made as a result of these enquiries.”

M. PAGANON (France) thanked the Spanish delegate for his report, to which the French delegation gave its entire support. The French delegation had followed with considerable interest the progress of the work of the Organisation for Communications and Transit, and particularly the work of the Conferences of Geneva and Barcelona. He welcomed the importance given to international law by this Organisation, but he doubted whether this was an essential part of its work. He would, however, call the attention of the Organisation to the two following points : First, there was the question of commercial transports by air. It was desirable to provide these services with Customs facilities, more especially for the transport of postal freight and valuable objects. He hoped that the Organisation would inform the Assembly, if possible during the following year, of the results of its researches in this direction.

The second point concerned commercial road transport by motor-car. It was surprising that, at the present day, when in a great number of countries, more especially European countries, motor-cars were entering into competition with the railway organisations, an organised effort had not been made to facilitate the passage of frontiers, as had already been done in the matter of tourist traffic. He referred to the Conference of 1909 and the Paris Conference. On this point also it was desirable that the Organisation for Communications and Transit should submit



proposals to the next Assembly. These two points established, he would submit neither resolution nor amendment as he did not wish to prolong the debate.

M. COBIÁN (Spain), Rapporteur, agreed with the observations made by the delegate of France. The two points which M. Paganon had mentioned had not been omitted from the report. There remained, however, much to be done, for the difficulties raised by certain States, jealous of safeguarding their prerogatives, must be taken into account. The Organisation for Communications and Transit, however, would consider the observations made by M. Paganon.

*The report of M. Cobián was adopted.*

*The draft resolution presented by M. Cobián was adopted.*

M. COBIÁN, on the proposal of the CHAIRMAN, was appointed Rapporteur to the Assembly for the Work of the Organisation for Communications and Transit.

**20. Work of the Economic Organisation of the League of Nations : Adoption of Resolutions (continuation) : Appointment of Rapporteur to the Assembly.**

Dr. BREITSCHIED (Germany), Rapporteur, submitted to the Committee a final draft of Resolution No. 1, which was the only one as yet not adopted. It was only after long and difficult discussions that the Drafting Committee had been able to arrive at a result which embodied all the suggestions made. The first part of the report was very lucid, but the resolution was open to various interpretations, and the chronological order it laid down was not sufficiently clear. There was now a perfectly logical relation between the text of the first part of the report and the resolution. In view of the convening of a Diplomatic Conference to conclude a Customs truce, five stages would be necessary :

- (a) An invitation to all States Members or non-Members of the League to state whether they desired to participate in a diplomatic Conference or not ;
- (b) On the basis of the replies given, the Council would decide whether it was desirable to convene the Diplomatic Conference proposed in the first paragraph ;
- (c) A Diplomatic Conference between the States replying in the affirmative to the first invitation ;
- (d) Negotiations between the States concluding a Customs truce referred to in the first paragraph ;
- (e) A final Diplomatic Conference.

He would point out that account had been taken of the position of less developed countries, and that, on this subject, a special paragraph had been inserted.

Mr. DALTON (British Empire) wished to state that the Drafting Committee had agreed that it was understood that the first Diplomatic Conference would be free, if it thought fit, to arrange for consultations additional to those specified in the resolution, to which all States without distinction would be invited before the summoning of the final Diplomatic Conference. In assenting to the resolution he assumed that the Committee was in agreement with this understanding.

Mr. O'SULLIVAN (Irish Free State) made the following declaration :

" I should like first to reassure Dr. Breitscheid that I do not propose any alteration in the text put forward by the Drafting Committee. The thanks of this Committee are certainly due to the Drafting Committee. My colleague, who represents us on that Committee, informs me that they had long and difficult debates and the result may be regarded as, on the whole, successful.

" I want to explain why we are prepared to accept the particular form in which the final report now appears. The report goes very far, if not the whole way, to meet the main points of view we felt compelled to put forward here in the Second Committee. As regards the amendments submitted by me, which were referred to the Drafting Committee, I would like it to be borne in mind that the report of Dr. Breitscheid was received by me at nine o'clock in the morning. On that same morning I had to preside over another Committee at 9.30, and this Committee met at 3.30. To draft an amendment in good form in the interval was not easy, and I can well understand that the form of our amendment was not quite acceptable. I fully appreciate the point of view of M. Loucheur when he asked whether it was of any use to issue invitations of a kind which would enable nearly every country accepting to declare that they were industrially undeveloped.

The final result as now presented to us does, I think, to a considerable extent, meet our point of view. In the debates here we stood for two things; one was that no group of States, however powerful, should be allowed to decide the economic policy of the League. We think that this objection has been met by the declaration that the final Diplomatic Conference should be open to all States, that there should be at this final Conference a full examination of all that had been agreed to at previous conferences and meetings and that it should be open for States to have any matter of economic import, which had not been dealt with before, brought up and dealt with at the final Conference. I understand that my colleague made this particularly clear in the Drafting Committee. He, I understand, put forward an example. If the negotiations and conferences prior to the final Conference failed to deal, for example, with the question of export bounties, that matter could be taken up and dealt with at the final Conference. It will, therefore, be open to all States participating in the final Conference to bring up any problems of an economic type that their national interests compel them to bring forward, in the light of the altered situation which may exist three or four years hence. We, therefore, are assured that the control of economic policy will remain in the hands of the League.

We did feel a certain amount of hesitation in agreeing that the League should call together a conference of certain States and ask these States to enter into negotiations from their own limited point of view. On the whole, however, we now, think it is better that this conference should take place under the auspices of the League, as it must be conducted with the open and full publicity that accompanies transactions of the League so that notice may be given to non-participating States of what is going on. I think, therefore, that our objection on this head has been met by the alterations made by the Drafting Committee, especially as it was made clear by my colleague in the Drafting Committee that the final Conference might consider all matters affecting the situation at the time when that Conference meets.

“The representatives of many countries who spoke in the Committee were anxious to remove what appeared to be a menace to the industrially undeveloped countries. I think that, now, these countries will be in a position to protect themselves at the final Conference, for there is in the body of the report, a very welcome addendum. The first draft of the report merely stated that, in this Committee, the representatives of a number of States had pointed out that it would be impossible for them, owing to their lack of industrial development, to join in the so-called tariff truce. That appeared as the mere statement of a point of view of certain States. Now we have in the report a definite statement endorsing that position, calling the attention of the final Conference to the words of the Consultative Committee: ‘ . . . account should always be taken of the provisos and reservations necessary to meet the just demands of States which are still at an early stage of their industrial evolution and do not wish their free development to be hampered ’.

“These, briefly, are the reasons why I now consider the amended report to be sufficiently satisfactory to be accepted.”

Mr. McDougall (Australia) had no modification to propose in the Drafting Committee's text, but the Australian delegation felt no enthusiasm for the resolution submitted to the Committee.

The Australian delegation was doubtful whether it was wise to make use of international conventions concluded under the auspices of the organs of the League of Nations to solve a problem which would prove to be purely European in its aspects.

The universality of the resolution was already restricted by the fact that certain States had announced that they could not take part in the preliminary negotiations. The Australian delegation had, however, no desire to frustrate a plan that other delegations felt might prove useful in Europe.

M. Suvich (Italy) pointed out that the text represented a compromise; an effort of goodwill on the part of the delegations. It was useless to repeat statements which most delegates had already made. Further, it was clear that the States which had not as yet declared their opinion were perfectly free to refrain from adhering to the proposal of a Customs truce. During the preliminary negotiations they would be able to make such reservations as they should judge necessary.

*The report of Dr. Breitscheid was adopted as revised by the Drafting Committee.*

*Resolution No. 1 was adopted in the following form:*

“The Assembly :

“(a) Having taken note of the results obtained during the discussions of the Economic Consultative Committee, expresses its appreciation of the persevering efforts of that Committee and of the Economic Committee ;

“(b) Impressed by the importance of taking all possible steps to carry into effect the recommendations of the World Economic Conference of 1927 ;

“(c) Considering that no effective action will be possible in the future, unless the Governments are now requested to examine, in their turn, the questions left in suspense by the Consultative Committee and by the Economic Committee, availing themselves of the work accomplished by those Committees to assist them in their decisions :

“(d) Recommends that concerted action should be undertaken under the following conditions by such Members of the League of Nations and non-Member States as may desire to participate therein :

“1. In order that this concerted action may be pursued on a firm basis and in an atmosphere of confidence, the Assembly recommends that States which are prepared to participate therein should agree not to increase their protective tariffs above the present level for a period of two or three years, or to impose new protective duties or create new impediments to trade. It is understood that this undertaking should not lead to any relaxation in the efforts which States are making to reduce their tariffs to the greatest possible extent by autonomous or bilateral action, in conformity with the recommendations of the World Economic Conference.

“2. The Assembly therefore herewith requests Members of the League of Nations and non-Member States to intimate to the Secretary-General of the League of Nations before December 31st, 1929, with or without the name of their representative, whether they are prepared to take part in a preliminary Conference of delegates of Governments with a view to the conclusion of the agreement referred to in paragraph 1 above, and to the establishment, if necessary, of a programme of subsequent negotiations for facilitating economic relations by all practicable means and especially by reducing hindrances to trade.

“ Requests the Council to instruct the Economic Committee to frame, during its next session, the text of a preliminary draft intended to serve as a basis for discussion.

“ On the basis of the replies received to the above invitation, the Council of the League of Nations shall decide, taking into account the number and character of States having replied in the affirmative, whether the Diplomatic Conference referred to in paragraph 2 should be held.

“ Instructs the Secretary-General to take all necessary steps to ensure that the above-mentioned preliminary Conference should meet at a date as near as possible to the end of January 1930.

“ 3. The Assembly recommends that, after the conclusion of the truce, the negotiations referred to in the first paragraph of paragraph 2 above should be initiated between the States having concluded the said truce. The latter may by common agreement invite any other State wishing to do so to take part in these negotiations.

“ 4. A final diplomatic Conference will take note of the results of the negotiations referred to above, will examine them, and will supplement them if necessary. To this Conference all States without distinction will be invited.”

On the proposal of the CHAIRMAN, Dr. BREITSCHIED was appointed *Rapporteur to the Assembly for economic questions.*

The CHAIRMAN thanked the Rapporteur and the Drafting Committee on behalf of the Committee for their devoted efforts.

Dr. BREITSCHIED (Germany), Rapporteur, in reply to the observations of the delegate for Australia, said that the resolution which had just been adopted was only a compromise, and that a compromise never aroused enthusiasm.

**21. Bank for International Settlements : Relations between the Bank and the League of Nations : Draft Resolution presented by the Delegations of Denmark, Norway and Poland.**

The CHAIRMAN said that the following draft resolution had been submitted to the Assembly on September 14th, 1929 by the delegations of Denmark, Norway and Poland :

“ Considering that the proposals with regard to a reparation settlement which are under consideration by a Governmental Conference, composed of some, but not all, of the Member States, which has commenced but not concluded its work, include a scheme for the creation of a Bank for International Settlements ;

“ That the scheme, as described by the experts, contemplates that the Bank will exercise functions which concern not only reparations payments but the general credit structure of the world and therefore the economic life of all countries — as much those which are not concerned with the payment and receipt of reparations as those which are ;

“ That, under Article 24 of the Covenant of the League of Nations, Members of the League have accepted the principle that international bureaux and commissions affecting the regulation of matters of international interest, should be placed in relationship with the League ;

“ That the proposed Bank would appear to be an institution established by general treaty for the regulation of matters of international interest ;

“ The Assembly :

“ While recognising the importance of the proposed Bank being assured of due independence in the conduct of its financial business :

“ Expresses the hope that the provisions setting up the Bank will be framed with due regard to the general principle laid down and enjoined upon League Members in the Covenant, and that arrangements will be made to establish an appropriate relationship, with such consultations as may be desirable for the purpose, which will take due account of the general public and world interests which are involved ;

“ Invites the Council to take the necessary measures to secure that effect is given to this resolution. ”

M. RAESTAD (Norway) made the following statement :

“ Since it was the Prime Minister of Norway who raised this question before the Assembly, and since the Norwegian delegation was among those which signed the resolution, I should like to submit certain observations with a view to explaining our point of view and the scope which, in our opinion, should be given to the resolution.

“ It is not proposed to subject the general activity of the Bank to Government control. It is proposed to allow the Bank all the liberty generally granted to central banks and indeed, in some respects, a greater liberty. It will perhaps be said that the Bank, enjoying a complete autonomy within the limits laid down by the final rules of its organisation, should all the more be subjected to the control of the League of Nations. In reality, the resolution submitted to the Assembly by the Danish, Norwegian and Polish delegations does not propose to submit the Bank to any control whatever from the League.

“ But, on the other hand, always in accordance with the proposed plan, it is evident that the Bank will be an exceptionally powerful financial organisation and that it will assume duties destined to exercise the widest influence on the economic and financial life of the nations of the whole world.

“ The Prime Minister of Norway referred, in the presence of the Assembly, to the great number of ordinary banking and financial duties which will be assumed by the Bank. The Norwegian delegation has drawn up a document giving these duties in detail, based on extracts from the ‘ Young ’ Plan (Annex 9).

“ I will not do more than refer to the text of paragraph 63 of the draft scheme :

“ ‘ The investment powers of the Bank shall never be used in such a way as to exercise a predominant influence over business interests in any country. The Board of Directors shall guide the investment undertakings of the Bank accordingly, and shall be entitled, if necessary, to make special regulations in this respect.’

“ We are accustomed to speak of a confession of weakness. Paragraph 63 constitutes what may be called a confession of power. It constitutes at the same time a warning to show that it is necessary to take precautions so as to avoid the great power of the Bank being exercised in a manner prejudicial to the interests of any given country, as also of those countries which do not belong to the group of Powers interested in the question of reparations.

“ Undoubtedly, it never entered the minds of the authors of the ‘ Young ’ Plan that such precautions should be taken by the Board of Directors of the Bank alone and not by the League of Nations, representing most of the nations whose economic and financial interests might be affected by the operations of the Bank. Having regard to the grave reactions on the economic and financial life of the nations, the League is, in view of its duty towards its constituent Members, obliged to take an active interest in the drafting of plans for the organisation and, later on, for the financial policy of the Bank.

“ I do not appeal to Article 24 of the Covenant as constituting a legal basis for any action on the part of the League in this matter. I do not raise the question of the legal scope of this article. I am, on the contrary, convinced that the rules established by the League relative to Article 24 are not applicable in the case of the Bank. But what the sponsors of the resolution wish to emphasise is that this article sets forth, with regard to a particularly interesting field, a general principle, namely, that the League is interested in the activity of any international organisation when this activity has as its aim, or simply results in, a notable influence upon the regulation of interests of an international character. Anyone who would argue to the contrary would only establish in principle that, in the face of any international initiative acting outside the League in the economic and financial field, the League would have to abdicate its position and become necessarily inactive, which would certainly be compatible neither with the spirit of the Covenant nor with the interests of the League.

“ Evidently, a programme as vast as that which is proposed for the Bank cannot be carried out unless its activity comes into direct contact with the activity of the League. In the first place there is the need, which in certain cases may be felt, of co-ordinating the political activity of a general nature carried on by the League and the more limited policy pursued by the Bank. It would be difficult to conceive that the Bank, by its investment operations or any others, will assist a Government in carrying out enterprises disapproved of by the Council or considered from a special point of view as harmful or premature by other organs of the League of Nations.

“ Although the Bank must be autonomous in the management of its affairs, an element of disorder would be introduced into international relations, if the policy of the Bank were to come into conflict with that of the League. In extreme cases of crisis, the necessity of submitting the activity of the Bank to the restrictions of the Covenant or to the resolutions adopted by the Council is inevitable.

“ Although these reasons of a political nature make it primarily necessary to provide for the co-ordination and the concerting in advance of the efforts of the League with the powers of the Bank, we do not consider them as predominant. The subject upon which we feel particularly anxious is that of the reaction which the activity of the Bank may have upon the general activity of the League among the different spheres of the economic life of nations.

“ Bearing this in mind, we will not contemplate the possibility that the Bank, as it is now proposed, should become, as a result of the work of co-ordination, an organ of the League. The question of reparations cannot come within the scope of the League. The management of the Bank will be, according to the proposed plan, divided between a limited group of Powers; a considerable part of the profits will be paid to the Governments or to the Central Banks of certain countries and even if, by an unlikely chance, the seven Powers concerned should not be opposed to the Bank's being organised on a world basis, it is quite possible that the majority of nations would not be disposed to participate in an enterprise of such vast import. On the whole, even supposing that it had the power to do so, the League of Nations would certainly not wish to establish, at present, too close relations with the Bank for fear of being obliged to approve activities which might later on become a source of embarrassment for the League. On the other hand, if we confine ourselves to complete inactivity, we run the risk of delaying our action until it has become too late to act.

“ It is quite reasonable that the League, faced with an enterprise which may exercise a preponderant influence upon the economic interests of many countries, an enterprise which has been set on foot, thanks to the action of Governments Members of the League of Nations, should

attempt to provide against any development which might eventually create difficulties in the way of its own activities.

“ What then exactly is the situation?

“ If the Bank becomes, as we hope it will, a success, its activity with regard to reparations will soon lose importance, compared with its activities in the ordinary field of international finance. Now, although nobody can contest the excellence of the general aims set forth in the scheme — new facilities for helping international movement of capital, collaboration between central banks, maintenance of stability in the structure of the world's credit, the growth of world commerce, the stabilisation of foreign exchange, the suppression of the costs and risks of consigning and reconsigning gold, etc. — it must not be forgotten that we are here in the field of relativity, and that what is advantageous from a certain point of view for some interests may be, from another point of view and for other interests, distinctly harmful.

“ The fact that it is just at the moment of the settling of reparations that the Bank has been given these general powers does not materially change the situation. From the League's point of view, the problem must be faced as if it were the sole aim of the States in question to confer powers of a general nature upon it. What would happen if any one Government considered that the Bank was exerting a preponderating and undesirable influence upon the economic interests of its country? Would it, by virtue of paragraph 63 already referred to apply directly or indirectly to the Board of Directors of the Bank? I grant that it would generally be a question of grievances common to several States, or of operations affecting, in one way or another, the work of the League itself. It seems fair that the League should give to each of its Members at least the possibility of applying to the League of Nations to explain the disadvantages to which it has been submitted and which it desires to have removed. And since the action of the League in such a matter must have a legal basis, either in the organisation of the Bank itself or as a result of an agreement with the Powers which are going to determine the charter of the Bank, it seems only right that the Assembly should be called upon to express its opinion now before a final settlement of the question is reached.

“ This amounts, it seems to me, to the application of the general principle recognised, not only in national, but in international law, namely, that the power of exerting functions of general importance should not exist without being accompanied by certain corresponding responsibilities, however small. The Powers interested in the Bank cannot oppose the autonomy of the Bank, an autonomy which they themselves created. As Members of the League, they will certainly not refuse to recognise the League as being the most suitable organ for the settlement of questions of general interest. As the League has, on occasion, constitutional relations with the Bank, due solely to the wish freely formulated by certain Governments which are not the only Governments concerned, it seems right that any State concerned, even a non-Member of the League of Nations, should in this respect be safeguarded.

“ Once the contact is established, the advantage that both parties, the League and Bank, will have in co-ordinating their efforts in the fields of activity where they meet will become abundantly evident.

“ In conclusion, we hope that the Assembly, by approving the resolution submitted by us, will once more prove its desire to accomplish a task which devolves upon it by virtue of the Covenant, that of uniting all desires and efforts so far as is humanly possible in the field of the economic life of nations.”

M. HELDRING (Netherlands) declared that it was sufficiently evident that the prospect of the creation of a Bank such as was proposed, the power of which, if one could judge by the official documents already published, would be such as to affect the financial and economic interests of every State, could not fail to cause some anxiety, more especially to those States which were called upon to observe a more or less passive attitude in face of this financial establishment. He associated himself, in the name of the Netherlands delegation, with nearly all that had been said by the preceding speakers. He wished, however, to make certain important observations.

It should not be forgotten that the essential business of the International Bank would be to receive and to effect the transfer of reparations payments, while affecting as little as possible international exchanges. Such was the aim with which it had been conceived by the representatives of the seven principal countries directly concerned with reparations, which had thus intended to withdraw these reparations from the field of politics and to treat them as a purely commercial affair. As long as the Bank retained in its operations the character of an establishment entirely devoted to reparations, it would primarily interest the seven countries in question and not the League of Nations at all.

But when the second phase was reached, when the Bank would deal with operations affecting finance, credit and the economic situation of States, or share, and even assume the direction of schemes of international financial assistance, the other countries would begin to be directly interested in its operations. It was impossible to predict whether this phase would be reached at all, or if so at what period of its activities. Some people might think that the Central Banks, which would have the direction of the new establishment, would tend rather to restrain than to widen the field of its operations. But there was the possibility, and in some people's opinion the probability, that the Bank would play an extremely important and general part in the future economy of the world. Considering the possibility of this development, the necessity of adopting certain special preventive measures, which up to the present were lacking, became evident. It was especially difficult to conceive of a bank whose operations were so extensive carrying out operations from year to year without being under the obligation of giving to these operations an annual publicity, and, furthermore, it did not seem right, when it ceased to be primarily a reparations bank, and when its other activities assumed an increasing importance, that the

distribution of the seats on the Board of Directors should remain as it was at present according to the scheme of organisation.

He also viewed with alarm the idea that all the changes in the statutes of the Bank would be left entirely to the discretion of the directors, however great the confidence placed in their prudence and wisdom. The principal point, however, in which all nations were interested was the necessity for finding a point of contact with the League of Nations, which had already done excellent work in the field of international finance and which, by virtue of its very nature, would continue to be interested in financial arrangements of an international character, submitted to it and considered worthy of its attention. A means should, therefore, be found of establishing relations between the League and the Bank in such a manner as to avoid all chance of conflict and to assure fruitful collaboration between them when the period of the great operations of the Bank, outside the narrow field of reparations, ensued.

The impression must not be given that the League of Nations hoped to dominate or control these operations since the Bank had been conceived as a purely commercial affair independent of all political influence, and it would be dangerous to propose a method of contact which would undermine this excellent principle. He was persuaded that the sponsors of the resolution had not any such intention, and he proposed, in consequence, to suppress any allusion to Article 24 of the Covenant. The application of that article in this particular case appeared to him doubtful and an allusion to it might easily give the impression that an effort was being made to control the operations of the Bank.

He considered, in conclusion, that the following paragraph should be suppressed: "That the provisions setting up the Bank will be framed with due regard to the general principle laid down and enjoined upon League Members in the Covenant", as well as the last paragraph. It seemed to him that the resolution purged of these references would meet the case, whereas unamended it might be interpreted in a sense which no members of the Committee would desire.

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## ELEVENTH MEETING

*Held on Saturday, September 21st, 1929, at 3 p.m.*

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*Chairman: M. MOTTA (Switzerland).*

### 22. Bank for International Settlements : Relations between the Bank and the League of Nations (continuation).

M. BORGBJERG (Denmark) warmly supported the resolution presented upon the initiative of the Norwegian delegation and associated himself with the doubts expressed by M. Raestad.

He pointed out that an institution was about to be created which might become the centre for the co-operation of high finance, not only for the settlement of the economic and financial problems of Europe, but also for the assistance to be given to non-European countries with a view to the utilisation of their natural resources and the consolidation of their economic, financial and social situations.

From its start the Bank would have to deal with international financial transactions of such importance that its responsibility would be not only of a financial and economic character but of a social and political one.

High finance needed peace to prosper in the world, and, if the Bank, in organising itself, appreciated its responsibilities and powers, progress along the right path would be much more rapid than at present.

The International Bank perhaps contained the germ of an understanding of this kind, but the League of Nations had all the more reason for desiring to establish a link between itself and the Bank, the financial transactions of which would affect many political, economic, social and intellectual questions in which the League was already interested from other points of view.

M. GLIWIC (Poland) made the following statement :

"It is not without emotion that I address you to-day. The question on which I am going to speak is one of the most important, perhaps the most important, among the problems which this Committee has dealt with during recent years. It is also, I admit, a very delicate one. If the Latin saying *quieta non movere* were applicable in this case, it would no doubt be preferable to follow sage advice and to hold one's peace, but I wonder how it would be possible, in the deliberations of the Second Committee, to pass over in silence an economic fact of the first importance. How would it be possible to abstain from discussing at the Assembly a phenomenon of worldwide importance which may exert a wide and lasting influence on international and economic life? I should like, therefore, to speak first of this absorbing question and to approach it from another angle than that chosen by the Norwegian delegate.

"In my speech upon the economic work of the League of Nations, I emphasised the fact that, in whatever way we seek to accomplish what is one of the principal aims of the League, namely, an economic reconciliation, considerable obstacles arise. In my opinion, the prime cause and the essential risk lie in the complete lack of appropriate instruments by which closer relations may be brought about within a reasonable period. For example, we are now trying to modify tariff levels by means of different resolutions and numerous consultations which require



certain sacrifices on the part of a great number of countries to which we have nothing to offer in exchange for the renunciations required of them.

“ I am the first to welcome the desire for unification and economic equalisation, but we must not forget that all genuine unification necessitates as a basis, before any other preliminary and essential condition, a universal monetary stability together with equal facilities for credit. Without this all efforts towards an economic equalisation are condemned to failure.

“ As I have already suggested in my speech, we are, all the same, closer now than we have ever been to finding that valuable instrument for closer economic relations, if only certain conditions can be realised. The proposed creation of the Bank for International Settlements draws us nearer to the state of affairs so ardently desired. The report of the Committee of Experts which sat at Paris informs us that, although this Institute aims at settling the needs arising out of the ‘ Young ’ Plan, it will not limit itself to this task. According to the same report: ‘ The object of the Bank is to offer new facilities for helping international movements of capital and to create an instrument favourable to international financial relations ’.

“ We see that the eminent authors of the report upon the ‘ Young ’ Plan have clearly realised the worldwide value, the universal importance and the international possibilities of the institution which is to be created, and the influence of this new international instrument upon the convertibility of national currencies in different countries, upon credits, on the stability of the purchasing power of gold and on the improvement and growth of world trade. They have realised the urgent necessity of endowing this Bank with additional facilities so as to contribute to international financial stability and the growth of world trade and to constitute a useful instrument for the opening up of new markets and for stimulating supply and demand.

“ If one considers the importance of the powerful and unparalleled mechanism which is going to receive and distribute periodically very considerable sums on an international scale, and when one realises that all these payments and transactions are not the result of real commercial transactions, it is difficult to avoid some apprehension. Is there not a risk that the normal movements of the currencies in different countries may be unduly affected? When the importance of this risk is realised, we begin to understand the anxiety and the firm decision on the part of those qualified financiers who were the members of the ‘ Young ’ Committee not to limit themselves purely to the task of receiving and distributing reparations funds but to go further. They felt with great perspicacity, and expressed with the great authority to which they might justly lay claim, their desire that, in the natural course of development, the Bank would, in time, ‘ become an organisation, not simply or even predominantly concerned with the handling of reparations, but also with furnishing to the world of international commerce and finance important facilities hitherto lacking ’. They expressed the particular hope that the Bank would ‘ become an increasingly close and valuable link in the co-operation of central banking institutions generally — a co-operation essential to the continuing stability of the world’s credit structure ’. I am quoting the exact expressions of the report.

“ Such are the tasks of the banking institution which is now being established.

“ The members of the ‘ Young ’ Committee were not possessed with vain ambition, but they felt bound to set themselves the same programme as that adopted by the Economic Organisation of the League of Nations as a legacy of the International Economic Conference.

“ But, in the Committee which is framing the statutes of the Bank, the nations called ‘ nations of limited interest ’ are not represented, and we do not even know whether they will have a chance of obtaining seats upon the future Board of Directors. Are not, therefore, their fears legitimate, their misgivings comprehensible and their anxiety pardonable, when they are faced with all these facts? Is it not natural that, at such a moment, they should turn to the League of Nations and express the ardent desire and the modest hope that the two international organisations, the League of Nations and the Bank for International Settlements — which, from its beginning, necessarily and inevitably becomes the Central Bank of the banks of issue — that these two organisations should not remain strangers the one to the other?

“ In submitting our draft resolution, we are well within our rights. The end of paragraph 1 of Article 24 of the Covenant of the League of Nations reads thus :

“ ‘ All such international bureaux and all commissions for the regulation of matters of international interest hereafter constituted [that is to say, which were not previously established] shall be placed under the direction of the League. ’

“ In accordance with the ideas of the authors of the ‘ Young ’ Plan, the Bank would become one of the bodies referred to in Article 24. But the reasons which have led three delegations to submit the resolution, which you have before you, to the Assembly are not only formal reasons, but reasons of a higher order affecting the two organisations. It is difficult to conceive how the Bank can work without obtaining information from the League, and the latter no doubt will speedily have recourse to the Bank. The problems we have confided to the Economic Organisation of the League of Nations, the tasks which we have laid upon it, cannot be brought to a successful issue, and must remain as impracticable desires, unless the League collaborates closely with the International Bank.

“ The experts convened at Paris stated the wish ‘ to go further and to create an organ the tendencies of which would be, from its origin, directed towards international collaboration ’. For all of us who signed the Covenant, this collaboration can only be realised by close contact with the only international organisation qualified for this co-ordination of effective effort. This is neither the time nor the place to speak of the methods of this collaboration. I do not wish to be misunderstood. I perfectly understand that the International Bank should resist, even

more sedulously than the Central Banks, any interference with the conduct of its financial affairs; that it should be assured of complete independence. I have no intention of proposing that the Bank should become an organ of the League of Nations. On the contrary, nothing is further from my thoughts; but we must not lose sight of the fact that there should be a certain connecting link between it and the League of Nations, because the Bank has, in the international interests referred to in Article 24, to accomplish more than any other body. I repeat that I refrain from suggesting the exact form which this connecting link should take. But I consider that the tenth Assembly ought to be called upon to express its positive desire and its firm opinion that such a connecting link should exist.

“The first stage in the organisation of peace was the foundation of the League of Nations; the last — which, let us hope, will put an end definitely to the disastrous traces left by the war — is the creation of the Bank of which we are speaking. At the risk of repeating myself, I would once more emphasise that the aim of the League of Nations in the economic field is absolutely identical with that of the Bank, that this Bank will exercise an exceptional influence upon the economic life of the world and that it is impossible that these two institutions should work separately. I think also that the anxiety felt by certain nations should be calmed. They should obtain adequate assurances that their interests will be duly safeguarded. This is yet another reason why we should hope that the Second Committee will share this opinion, and that it will adopt the resolution submitted to the Assembly by the delegations of Denmark, Norway and Poland.”

M. HOFFINGER (Austria) made the following statement :

“The draft resolution presented by the delegations of Denmark, Norway and Poland deserves, in the opinion of the Austrian delegation, the Committee's most careful attention. I do not wish to identify myself with all the terms of the draft resolution or with those of the preamble. But I think that there is a sound and justifiable idea at the basis of the proposal. I am glad that the delegate for Norway has himself renounced the appeal to Article 24 of the Covenant, as otherwise I should have felt obliged to propose the suppression of this passage, since it seems to me that the article does not apply in the present circumstances. I almost entirely agree with the observations made by the delegate for the Netherlands, and I note, with satisfaction, that he was anxious to remove all suspicion as to the aim of the resolution. It is therefore clearly understood — and, if the text of the resolution does not say so exactly, I will agree to any amendment which will make it clearer — that the Bank for International Settlements, as created to deal with the financial relations of the seven founder States, and as exercising functions relative to reparations, is entirely alien to the League of Nations. In this matter the two institutions should have nothing in common. It therefore seems to me evident that the desire expressed in the resolution before us aims only at a collaboration between the League and the Bank in a sphere outside the questions to which I have just referred.

“But with this fundamental reservation it seems to me difficult to conceive the idea that a world institution such as the Bank should remain absolutely without any connecting link or relations with the League of Nations. By studying those parts of the ‘Young’ Plan which refer to the Bank and more especially Chapter 6 and Annex 1, we arrive at the conclusion that the Bank proposes to exert an activity in the economic and financial sphere of the whole world — an activity which may exert a decisive influence upon the development of production, credit and commerce. Is it possible that the League of Nations should entirely ignore an activity of international and worldwide importance, exerting its influence in the same sphere as that in which the League has worked for many years — and that at the very moment when it is preparing, as a happy result of Franco-British initiative, and with the consent of all its Members, to discover a means of arriving at a more satisfactory international economic situation? Should the League of Nations remain alien and without relation to an institution of world importance such as the Bank, which proposes, like the League, to develop and enrich the economic forces of the world? If, in the interesting debates which have taken place in this Committee, we have spoken of lowering Customs barriers and creating facilities for commerce, or of animating production and trade, and if, in Chapter 6 of the ‘Young’ Plan (No. 55) we read that the Bank proposes to open new markets for commerce and to stimulate supply and demand, are not one and the other both aiming in reality at the same goal?

“Undoubtedly, there can be no question of subordinating the activity of one of these two institutions to that of the other, or even of instituting a control or supervision of one over the other. I should even hesitate to use the word ‘influence’, because this word might suggest a restriction of liberty. But it seems to be sound common sense, both necessary and useful, that two institutions aiming at the same goal should have some means of co-ordinating their efforts and of avoiding friction. The methods and the means employed by the League of Nations are very different from those which will be at the disposition of the Bank. The League of Nations works by means of the ideas which it propagates and by the practical steps taken for the realisation of its ideals. By means of research, study and documentation it throws light upon problems, facilitates the discovery of solutions, and removes misunderstandings and prejudices; in short, it clears the way for economic reorganisation.

“The Bank on its side will employ none of these means. A policy of credit will be its instrument for obtaining the desired results in the economic development of the world.

“I think, therefore, that it is not necessary to demonstrate that the best results will be obtained from the activity of both these institutions if their work is co-ordinated, but that they may work at cross purposes if co-ordination in their efforts is rendered impossible by the lack of an organic connection between them.

“ I am not thinking so much of the situations to which, if I understand him, the delegate for Norway alluded, namely, the possibility of a policy on the part of the Bank which would run counter to that of the League of Nations, or to the seizure by the Bank of the entire economy of any one country. I do not think that the Bank will ever wittingly follow a policy contrary to the spirit of the League. No, it is not in order to permit the League to avert such dangers — non-existent in my opinion — that I should like to see a link established between the two institutions, but simply with the aim of avoiding misunderstandings, friction and involuntary contradiction which might arise in such a vast field between two institutions working without any connection between them. And particularly I should like to see the efforts of these two institutions united in fruitful collaboration.

“ I will take a practical example in the field just referred to by the delegate for Poland. We all hope to see the disappearance of Customs barriers separating States. No State values them as such. If the States do not abolish them, it is because they do not see the means of averting the damage which certain branches of their national economy would suffer as a result. They are often aware that this damage would only be temporary, and that, by giving a new direction and a better machinery to their industries, by specialising, standardising and rationalising them, and by opening up new ways of communication, these branches of industry might be preserved, might become adapted to the new state of affairs and even prosper better than before. But all the measures which I have just enumerated depend upon whether the necessary capital and credit can be obtained, and, failing capital, which would help in the adaptation of its national economy, a State prefers to keep its former methods of protection. It is precisely in this field that a policy of credit, judiciously administered by the Bank, could become the most efficient means for transforming *into a reality* the hopes so eloquently expressed during this Assembly. But, to obtain such results, there must be co-ordination between the work of the two institutions.

“ If I have insisted upon the help and support that the League of Nations might find in the Bank, this does not mean that the Bank on its side would not also derive great profit from a connection and collaboration with the League. The perfected organisation of the League, in economic matters, its preliminary investigations, its vast documentation, its experience of tendencies and economic difficulties, would dispense the Bank from the creation of new organisations or from undertaking wide preliminary investigations before dealing with any one problem or field of activity.

“ I am afraid I might be accused of lack of candour if I referred only to the interest of the League of Nations as a whole, and if I do not say frankly that the desire to see a connecting link established between the League of Nations and the Bank is undoubtedly stronger among the small nations than among the great. You are aware that, according to the plan of organisation of the Bank, the influence which States may exert upon it is carefully graded. The influence of the founder States is assured in any case. Among the other States there will be nine which will have a representative upon the Board of Directors. The others will have no voice, although many of them will have been called upon to supply their share of capital. I suppose that all States deprived of a share in the administration would be pleased to see a connecting link established between the Bank and the League of Nations which might, should occasion arise, become the spokesman of the legitimate interests of these States.

“ I feel that it is as yet too early and outside our competence to discuss the form which the liaison between the Bank and the League of Nations should take. It seems to me sufficient that the principle that a certain co-operation or organic co-ordination is desirable should be recorded by a resolution of the Assembly. As regards the text of such a resolution I have no particular formula to suggest nor any amendments, since I am ready to agree to any solution as long as it expresses, in some form or another, the fundamental idea, namely, ‘the desire for organic collaboration throughout the world’ — exception being naturally made of the special function of the Bank.”

Dr. BREITSCHIED (Germany) spoke as follows :

“ The questions raised by the proposal of the Danish, Norwegian and Polish delegations are doubtless of the first importance, an importance which has been emphasised by the speeches we have just heard on this subject. In my opinion, it is not only a fundamental question — that is to say, a question of the relations between the International Bank and the League of Nations — but, at the same time, a question of the exact interpretation of certain dispositions of the Covenant of the League of Nations, and particularly of Article 24.

“ You will understand, I am sure, that the representative of Germany would wish to speak, for the creation of this Bank and the form which it will assume is of vital importance to German interests. The idea of creating such a Bank is closely connected with the settlement of the payment of German reparations, and, as the experts of the Paris Conference have declared, it should help to remove the problem of reparations from the political field into the financial field, a process which has been set on foot with the Dawes Plan. The Bank is, therefore, first and foremost, a sort of clearing-house for financial transactions between the creditor Powers and Germany. According to the proposal of the experts, it replaces political control by a mechanism of a purely financial and commercial character.

“ The International Bank forms part of a series of attempts to find the best way of carrying out the Treaty of Versailles.

“ Hitherto, all matters of importance resulting from the Treaty of Versailles have been settled exclusively between Germany and the ex-enemy States. The League of Nations has refrained from interference. I would refer, for example, to the question, of such vital importance to us, of the Rhineland occupation, and you will understand that we have some doubts whether our interests

and the interests of the League require that the League should, especially at the present moment, intervene in the question of the settlement of our payments.

“Neither the negotiations at Paris nor the negotiations at The Hague contemplated such a possibility — at least, no allusion was made to it — and, if one of the Powers held a different opinion, I assume that the report of the experts would have referred to it.

“On the other hand, the preceding speakers, and more particularly the delegate for the Netherlands, were right when they said that the field of action of the Bank would stretch far beyond the problem of reparations. Tasks will devolve upon it which I admit will interest States other than those which were our former adversaries and with which we now collaborate peacefully and in the most agreeable manner. I perfectly understand that the question should have been raised whether it was not the duty of the League of Nations to consider the possibilities which the future affords.

“The first question, then, which arises is whether the Covenant of the League of Nations affords a means of intervention in any way. I do not wish to go into this question to-day, nor to reply definitely to it, but I think that considerable doubts arise whether Articles 23 and 24 really provide a means of intervention. These articles refer to international bureaux, but a bank is not an international bureau. The bureaux placed under the authority of the League of Nations, which have among their members non-Member States of the League, fulfil purely technical and administrative tasks; no political interests are involved. I doubt whether this paragraph can be interpreted in the sense which has been suggested. Too many difficulties of a legal order would arise if Article 24 were invoked to establish connecting links between the League of Nations and the Bank.

“Still greater difficulties arise in practice from the fact that, for the application of Article 24, certain exact rules were adopted by the Assembly during its ninth session. In its report, the Assembly recalled that the drafters of the Covenant had aimed at making the League of Nations a centre of co-ordination for the activity of different international institutions. It has also been said that the authority of the League seems thus to resolve itself normally into the exercise by the League of this general mission of examining and co-ordinating the different manifestations of international life. Now it may be supposed that this Bank, the statutes of which aim at complete independence, will not accept any interference, no faintest shadow of interference, from any other organism. Will it permit the Secretary-General to be represented or to be present at its meetings, as is provided in one of the four fundamental conditions for the application of Article 24 which are to be accepted by an institution placed under the authority of the League of Nations? It seems to me that we may have legitimate doubts upon this subject.

“And then we must not neglect the fact that the Covenant of the League of Nations was created at a moment when there had been every reason for us to suppose that it would have a really universal character. We all agree in regretting that this is not the case for the moment. There are important States which are not, as yet, Members of the League of Nations, States whose importance is greatest precisely where the problem under consideration is concerned. I will not insist further on this subject, but the next question seems to me to deserve a careful examination — the question of knowing what would be the attitude of these States towards a new state of affairs created by a collaboration between the League of Nations and the International Bank. If we try to move too quickly, complications may arise which would have disagreeable results for us all.

“The proposal of the Danish, Norwegian and Polish delegations ends in a resolution which, it is true, is couched in very mild terms; but perhaps the very prudence of this text constitutes a certain danger. Reference is made to co-operation and a convention. What is the exact significance of these words in the subject under discussion? The Council is given a vaguely defined task, and it is quite possible that it might be carried out in such a manner as to give no satisfaction even to those who had submitted the resolution. The cause of this is, above all, the fact that the Bank does not yet exist, the details of its statutes have not yet been determined and, furthermore, the Committee of Organisation which is to discuss and to decide upon these details has not yet been formed. The child, therefore, is not yet born. It is still in *statu nascendi*. I hope that you will agree with me when I emphasise that it is dangerous to make proposals of marriage for a child that is not yet born.

“Allow me to limit myself to the reasons which I have just given. I might add many other arguments, but do not forget the shortness of the time at our disposal. The German delegation will be unable to vote for the resolution in question. The subject we are dealing with here is, I repeat, of the greatest interest, and it is possible that the question may be placed upon the agenda at a later date and that it might be more profitably discussed. I am certainly not one of those who wish to restrict the activity and the competence of the League of Nations, but it seems to me that the time has not yet come to settle this question. The problem is not only interesting but of the most vital importance, and it is precisely for this reason that we must avoid a hasty decision.”

M. LOUCHEUR (France) spoke not only on behalf of his own delegation, but on behalf of the delegations of Great Britain, Italy, Japan and Belgium.

He did not criticise the action which had been taken by certain delegations. They had certain misgivings, and they had explained them frankly, and it was well to remember that it was possible at Geneva frankly to express before the whole world the misgivings which from time to time weighed upon nations.

The tone of the debate had been very remarkable. He had listened with careful attention to the interesting and well-considered observations of his colleagues from Norway, Poland, Denmark and Austria. Having recently been present at the Hague Conference, he hastened to tell them that some of their misgivings were shared by the Governments on whose behalf he was speaking.

He would not enter upon a legal discussion of Article 24, especially as some of those who had proposed the resolution had rightly waived that article in their explanations, and as Dr. Breitscheid had already given all the necessary explanations on this point.

He would, however, make some criticisms upon the statements he had heard. It had been said that co-operation between the Bank and the League must be established. But each of the speakers had been careful to say, as soon as he arrived at this difficult stage of the debate, that he would refrain from suggesting any definite method. This reluctance rather disconcerted him, as he would have been glad to hear some definite proposal. A connecting link with the Bank! No control! These were the suggestions. Personally, he distrusted connections with banks. One did not know what might happen; there were periods of prosperity for banks, but, as with all things human, there were also periods of difficulty. Such connections might at a given moment compromise the political body which had desired to establish them.

This, then, was a matter for reflection, more especially as no practical suggestion had been made. Some people were alarmed at the creation of the Bank. Others, on the other hand, welcomed it heartily, since they saw in it a possibility of economic development, more especially in Europe. It seemed that this new instrument would, at a given moment, supply the means of solving the difficulties which had blocked the way for so long a time.

The task of those who had prepared the "Young" Plan had been extraordinarily difficult. If they had merely sought to set up the Bank as a kind of clearing-house to receive sums from Germany and distribute them into the account of the other nations, no objection could have been raised in principle. But he found, in the interesting argument of the delegate for Poland, the real cause which had led the experts to try and extend the Bank's sphere of action.

Those who were alarmed at this extension would have been the first to suffer from the creation of a simple clearing-house. The mere business of collecting sums, which were not, as M. Gliwic had pointed out, the result of commercial transactions, and of simply transferring them into the accounts of States, would give rise to incalculable difficulties in the exchange market.

Naturally, the eminent experts, who, at Paris, had devoted themselves to this task, had fully realised the danger. They had understood that these dangerous transfers should be transformed in some manner into commercial transactions. Naturally, they had arrived at the conclusion that the Bank should be permitted to extend its sphere of action. They had drawn up their report with the greatest care. They had fully realised the danger pointed out by the representative for Norway when he indicated that a confession of power was to be found in Article 63. He agreed. It was equally true that a danger existed, but who could suppose that it had not already been noticed?

If the Bank had been obliged to limit its activity to the simple distribution of reparations, the League of Nations would have had nothing to do with it, for this settlement of reparations did not concern the League. As it had become necessary to widen its sphere of action, certain delegates feared difficulties. It was true that, when fixing the sphere of action of the Bank outside the problem of reparations, precautions should be taken. There were a number of misgivings to be taken into account. It was certain that the nations directly concerned in the administration of the Bank had neither the desire nor the intention of transforming the Bank into a sort of financial dictatorship.

Other misgivings had also been mentioned, especially by the delegate of Norway who had pointed out that the Bank, being autonomous, might, at a given moment, take a line of action divergent from that of the League of Nations, fail to comply with the advice of the Council and fail also to comply with the prescriptions of the Covenant. He was pleased to have heard that statement; he could not, however, imagine that the Bank, composed as it was, would, even if autonomous, conceive the idea of running counter at any given moment to the work of the Council. He entirely agreed, however, that, upon this point, it would be necessary to take precautions with a view to greater security.

He would like to say that, if he were in the place of his colleagues, he would not feel their anxieties, nor be worried by their difficulties. He would greet the creation of this Bank with enthusiasm, for there were many economic problems which, in spite of all the ingenuity devoted to them, were not yet in sight of a solution. The free traders had once more given battle, and the protectionists had defended themselves in the usual way. New formulæ were to be tried. Consequently, it was only natural that, if a possibility for developing and extending the general economy of Europe presented itself, it should be gladly seized upon.

However, although the debate had been interesting, although mutual apprehensions had been discussed, it was necessary not to go too far. Although he had much admired the skill with which Dr. Breitscheid had alluded to certain misgivings, he felt obliged to emphasise the facts. This Bank must be set up. It was necessary for the settlement of affairs with Germany. At the same time, there was a desire to settle political questions. The problem went beyond the competence of the Second Committee. If, by inopportune intervention, some of those who to-day were ready to assist in organising the Bank should be discouraged from such an undertaking, would not the work of the Committee have been detrimental?

On reading the proposed resolution the previous evening, he had at first, he admitted, had the intention of suggesting amendments. To-day, he would state very candidly, in the name of the countries for which he was speaking, and in the name of France in particular, that it was essential that the Committee should refrain from voting any resolution. However great the care taken for the drafting of well-balanced phrases by which an appeal might be made for collaboration (which nobody, however, was capable of defining), much harm was bound to be done to the work undertaken.

He appealed to the Norwegian, Polish and Danish delegations in the following terms: "You have come here to speak candidly of your misgivings. We will undertake to transmit the



Minutes of the Committee which will reproduce your statements to the Organising Committee of the Bank and to our Governments, in order that we may do our utmost to allay your misgivings as far as possible and to the extent compatible with the difficulties with which we are faced. But I would ask you in return to withdraw your proposal, which would complicate a task already beset with difficulties."

He hoped that, in a very short time, the work of reconciliation begun at The Hague would be accomplished. This was everybody's hope, but for his part he desired to insist, in the name of his country and in agreement, he was sure, with all the countries on whose behalf he was speaking, that each and all should do their utmost, by considering all the misgivings expressed, to make the Bank a source of benefit not only to certain countries, but to all.

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## TWELFTH MEETING

*Held on Monday, September 23rd, 1929, at 3 p.m.*

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*Chairman: M. MORRA (Switzerland).*

### **23. Bank for International Settlements : Relations between the Bank and the League of Nations (continuation).**

M. RAESTAD (Norway) made the following statement :

"The seven Powers interested in reparations — organisers of the new Bank — have, through the delegates of Germany and France, the latter speaking on behalf of the delegations of Belgium, the British Empire, Italy and Japan, opposed the adoption of a resolution by the Assembly concerning the relations between the Bank and the League of Nations. The delegations which signed the draft resolution submitted to the Assembly have thus been obliged to reconsider their attitude, and the Danish and Polish delegations have authorised me to speak on their behalf.

"First, the three delegations accept the amendment recently proposed by the delegate of the Netherlands. They agree, and have always agreed, with the delegate of Germany in thinking that the question of reparations is, and must necessarily be, a matter to be left exclusively to the Powers concerned. They are fully aware of the moral and political importance, in the present circumstances, of the creation of a bank whose activity must contribute to remove the problem of reparations from the political field and bring it within the field of finance. Their draft resolution is in no way intended to provoke the intervention of the League of Nations in the settlement of the reparations question.

"Secondly, they have noted with the greatest satisfaction the declarations made by the delegate of France concerning the co-ordination to be effected between the political activities of the League of Nations and the activities of the Bank, and concerning the economic and other problems resulting from the extension of the activities of the Bank beyond what is necessary for the settlement of the reparations payments.

"As regards the questions first mentioned, namely, the problems relating to the application of the provisions of the Covenant and the decisions of the Council, the delegate of France has admitted that the plan of the experts on this point contains omissions and should be completed. The result of such completion would certainly be to remove the lack of formal co-ordination to which we have drawn attention and the three delegations accordingly believe that, in regard to these questions, their initiative has to some extent achieved the results which it was designed to secure.

"As regards the extension of the duties of the Bank, the delegate of France has particularly emphasised that it was in order to avoid the difficulties and dangers for the exchange market of sudden transfers of large sums which have no relation to commercial transactions that the experts of the 'Young' Committee thought it necessary to create a Bank for international settlements. Fully aware of the justice of this remark, we would emphasise that the 'Young' Plan confers on the Bank duties very much wider than are necessary for the accomplishment of such a task. Thence have arisen the serious and justifiable misgivings to which expression has been given in many countries. The essential substance of these misgivings is identical whether hostility is felt to such an extension in present circumstances or whether it is feared that this extension, effected in pursuance of a limited object, may result in dangerous disturbances, instead of conducing to the advantageous results which otherwise it might very well secure.

"The three delegations still believe that the safest method to employ in this difficult and troublesome matter would be to arrange first for a close collaboration between the Governments creating the Bank and the League of Nations, which has for many years been actively engaged in questions affecting universal economy. The delegate of France on his side agrees that, here also, the 'Young' Plan is capable of further improvement, and he has informed us that the Governments, on behalf of which M. Loucheur has spoken, will endeavour, as far as possible, to meet the observations which we have made and to take into account the considerations we have urged. If the discussions of the Governments creating the Bank result in the ordinary activities of the Bank being restricted to those inherent, more or less, in the settlement of reparations payments, the initiative of the three delegations will have no further significance. This possibility in our opinion exists at least in theory, and gives a certain validity to the objection expressed so emphatically by the delegate of Germany, namely, that it would be premature for the Assembly at once to adopt a resolution on the subject.



“ If, on the contrary, the Governments organising the Bank decide to entrust the Bank with duties going beyond the settlement of reparations, we rely upon the declarations of the delegate of France to which reference has already been made. While highly appreciating the welcome extended to our observations, we feel bound to say that these representations constitute, on the part of our Governments, only a preliminary opinion, as there has not been the necessary time to have the question thoroughly studied by the competent authorities. Moreover, it is very difficult at once to define our suggestions, since the present plan is silent on the subject of the manner in which the Bank will conduct its affairs in the general management of its business so as not to come into conflict with the national policy of the Governments of the various countries. Further, it is understood that we reserve the right common to all the Members of the League of Nations to raise again, if necessary, the question of the steps to be taken to co-ordinate the activities of the Bank and those of the League of Nations.

“ We agree with the delegate of France that the League must be given credit for the fact that, owing to its existence, it has rendered this discussion possible. We believe the discussion in several respects has been useful, and the discussion without the League would have been inconceivable. We thank the delegate of France for the liberal understanding which he has shown on this occasion, and which we hope will be still further displayed during the later development of the question.

“ Noting these declarations, I have the honour, on behalf of the Danish, Norwegian and Polish delegations, to withdraw our draft resolution.”

M. MOLLOFF (Bulgaria) said there was no need to raise a general discussion, since the resolution had been withdrawn ; but the views of certain Governments might be expressed in order that they might be placed on record in the Minutes, and might be considered at the same time by the experts responsible for organising the Bank. He was not speaking for Bulgaria as a debtor State in respect of reparations, but from the international point of view, since the activity of the Bank would not be limited to the question of reparations.

If it were to be concluded from the examination of the “ Young ” Plan that the Bank would also deal with the stability of world or international trade and questions similar to those dealt with by most of the Central Banks, it was clear that certain points of view expressed either in the Committee or in the Assembly, or in the Financial Committee, should be taken into account. He recalled certain conclusions adopted at the Genoa Conference, when the financial experts had proposed the creation of Central Banks to ensure currency and financial stabilisation and to carry out other measures for the financial reconstruction of countries whose currency had been wrecked. If these conclusions were considered, the formation of a new Bank, which would be not only occupied with reparations but which would also be an international settlement bank, ought to be considered in detail. The essential point was that of the competence and attributions of the proposed Bank. If, as he was given to understand, the International Bank was to deal with financial, economic and currency questions, which to a great extent concerned Central Banks, it would be to the interest of all nations that this institution should work in connection or in collaboration, not only with Central Banks of other countries, but also with the League of Nations.

It might, perhaps, be thought that the questions mentioned would be accessory activities of the Bank, and that its principal duties would be in connection with reparations ; but there was a saying in France that it was only the temporary things which lasted, and he knew by experience that accessory things sometimes became the most important.

There was another question upon which the experts had been silent : the organisation of the Bank would be determined by the Central Banks of the organising countries ; but it might well be asked what would be the relations between these Central Banks and their respective Governments ; what influence would these Governments exert on the composition and the organisation of their Central Banks and in consequence upon the International Bank? It would be desirable for the Committee of Experts to take this element into consideration.

A third element touched the League of Nations even more closely : Article 24 of the Covenant had been referred to, and its application in this case had been opposed. If the literal interpretation of that article alone were considered, the new Bank could not be regarded as “ an international bureau ”, but this article ought to be understood in a wider sense. The League of Nations should not keep aloof from an international organisation which might, should occasion arise, take action in regard to matters in which the League itself was concerned, in virtue of resolutions, recommendations or even by its general economic and financial policy. Nothing, therefore, should be done to exclude the League of Nations from the possibility of collaborating, in what may be the near future, in the general policy of the Bank.

The Financial Committee had often looked very far ahead ; central currency had been mentioned, co-ordination between Central Banks, the purchasing power of gold and the division of the world's gold between certain Central Banks. The necessity for co-ordinating the work of the Central Banks by means of an international institution had been considered — an institution which might study all these questions and decide, in agreement with the League of Nations, upon a definite financial, economic and monetary policy. Once the Bank for International Settlements was created, it would be very difficult for the League of Nations to proceed on its side to the constitution of a similar bank, without a risk of incompatibility or confusion. It was essential that the League of Nations should not be excluded by too rigid statutes from friendly collaboration with the Bank for International Settlements, a collaboration which was highly to be desired.

M. COBIÁN (Spain) stated that the Spanish delegation shared the fears arising out of the resolution proposed by the three delegations. He congratulated the authors of this resolution upon the attitude they had assumed in withdrawing it. This was a better means of advancing the legitimate aims indicated in the resolution than a persistence that might have led the Committee

to take a vote upon the point. If the Committee entrusted with the organisation of the Bank was supplied with the Minutes of the Committee and was thereby informed of the statements made during the discussion, he was convinced that a certain degree of satisfaction would be given to these requests. Perhaps some connection might then be established between the League of Nations and the International Bank. The League would leave the discussion with a higher prestige than when it entered into it, for it would have given proof of its vigilance with regard to international problems and of its discretion.

M. LOUCHEUR (France) thanked the three delegations for having responded to the appeal made to them and for having withdrawn their proposal. In so far as he himself was concerned, he would neither add nor subtract anything from the statements which he had made at the last meeting. He would merely point out, in reply to the Bulgarian representative, that there could be no question of excluding all forms of future co-operation between the Bank and the League : the door remained open and would always remain open for collaboration.

M. TÔNISSON (Estonia) said that the Estonian delegation entirely associated itself with the declarations made by the Danish, Polish and Norwegian delegations.

Dr. BREITSCHIED (Germany) thanked the Danish, Polish and Norwegian delegations for having withdrawn their resolution and said he fully understood their misgivings. He asked his colleagues to rest assured that the reservations he had put forward were not based solely on the German point of view. He considered that the League would be entering upon a dangerous path if, at the present moment, it accepted a resolution the consequences of which could not yet be foreseen. The reflections raised by the discussion might give rise to further discussions, ultimately leading to a result capable of giving general satisfaction.

M. VAN EYSINGA (Netherlands) took it that the Secretariat would send the Minutes of the discussions in the Committee to the Organising Committee of the Bank as soon as possible.

M. LOUCHEUR (France) said that, in his opinion, on the contrary, it was not for the Secretariat but for the Governments creating the Bank to send these Minutes to the Organising Committee.

The CHAIRMAN said that a question of procedure arose. Three courses were possible : either a short report might be presented to the Assembly in which it would be stated that the proposal had been withdrawn by its authors for reasons to which they themselves had referred ; or a letter might be sent by the Chairman of the Committee to the President of the Assembly, to be communicated to the Assembly itself ; or again, the Chairman of the Committee might make a short declaration to the Assembly with a view to communicating what had passed in the Committee on the subject of the resolution. In any case, he took it that the Committee was of opinion that the experts instructed to examine the organisation of the Bank should be informed of the debates which had taken place in the Second Committee.

There were two possible methods of informing them ; either, as M. van Eysinga had proposed, the Secretary-General should be instructed to communicate the Minutes of the discussion to the members of the Organising Committee, or note should be taken of the fact that the representatives of the Governments founders of the Bank had undertaken to place the Minutes before the Committee in question.

He would ask the Committee to state its views upon this important question of procedure.

M. LOUCHEUR (France) was of opinion that the procedure to be followed was a simple one : As the resolution had been withdrawn, the President of the Assembly must be informed of the fact, which might be done by means of a letter signed by the Chairman of the Committee. On the other hand, he did not approve the procedure by which the Secretary-General would be instructed to send the Minutes of the discussion to the Organising Committee. The founder Governments had undertaken to transmit the Minutes and even to recommend a careful examination of them. He requested his colleagues to have confidence in these Governments. Any other procedure would be to run counter to the object in view.

Sir Arthur SALTER (Director of the Economic and Financial Section) emphasised the importance of the two formal questions which had been raised.

According to precedent, the question how the Assembly should be informed of the decisions of the Committee, concerned the Committee itself, and the Committee alone had the right to settle the matter.

The second point raised an important question of general League procedure, namely, the method by which the Minutes of an organ of the League should be transmitted to an institution outside it. That question could not be decided by the Second Committee, since it did not concern the Minutes of this particular discussion alone. Before a decision was taken, the question should be studied as one of general procedure. It might, for example, be raised in the General Committee of the Assembly. In a former case, where no resolution had been taken, the Minutes had been transmitted through the Secretary-General.

M. RAESTAD (Norway) was of opinion that the best procedure to follow for informing the Assembly of the withdrawal of the resolution would consist in asking the Chairman of the Committee to make a short statement to the Assembly.

M VAN EYSINGA (Netherlands) said that, in making his proposal, he had only wished to insist upon the urgency of the transmission of the Minutes to the Organising Committee and he hoped that his words had not been taken as an indication of a lack of confidence. The essential point in his opinion was that the Minutes should be delivered as soon as possible to the Organising Committee.

Three forms of procedure had been suggested : personally, he considered that the advice of the General Committee should be asked.

M. LOUCHEUR (France) had no objection to the procedure suggested by the Norwegian delegate, namely, that the Assembly should be informed of the result of the work of the Committee by means of a statement from the Chairman of the Committee, it being understood that this statement would not be followed by any discussion.

With regard to the transmission of the Minutes to the Organising Committee, personally he would consider himself relieved from any responsibility if this communication were made through the Secretariat. This procedure would be following the line which they had been trying to avoid. The Governments creating the Bank would undertake to transmit these Minutes themselves. If M. van Eysinga accepted this procedure, it only remained for the Committee to recommend that the Secretary-General should transmit, with all speed, the Minutes to the Governments concerned, which would undertake to pass them on to their representatives with such recommendations as they thought fit.

Sir Arthur SALTER (Director of the Economic and Financial Section) pointed out that, if it were decided that the Governments should themselves transmit the Minutes to the Organising Committee, the question arose as to whom these Minutes should be sent by the Secretariat : Would it be to the Governments which had representatives on the Second Committee, to the Governments whose representatives sat upon the Organising Committee of the Bank, or finally, to the Governments represented at the Hague Conference?

The CHAIRMAN said he gathered that, in the opinion of the Committee, the best procedure to follow for informing the Assembly of the result of its work would be a short statement made by the Chairman of the Committee to the Assembly, a statement which would not be followed by a debate.

A brief explanation would state that the countries especially interested, that is, the countries organising the Bank, had undertaken to transmit the Minutes to the experts of the Organising Committee.

M. LOUCHEUR (France) accepted the procedure proposed by the Chairman.

COUNT CARTON DE WIART (Belgium) also agreed. The important point was that the experts should be informed of the exchange of opinions which had taken place in the Second Committee. The solemn undertaking which had just been given would assure this result. The experts would not fail to take this exchange of opinions into consideration.

Dr. BREITSCHIED (Germany) pointed out that the delivery of the Minutes to the Organising Committee depended upon the goodwill of the Governments concerned. He could pledge himself to no solemn undertaking on behalf of the German Government, but thought that his Government would have no objection to transmitting the Minutes to the representatives on the Organising Committee.

The CHAIRMAN stated that an agreement had been reached upon the following procedure : He would undertake to make a short, objective, verbal statement to the Assembly, all discussion being excluded. In this statement, it should be expressly said that the Governments of the countries concerned had solemnly undertaken to transmit, without delay, the Minutes of the Second Committee to the experts, with the reservation of the German delegate, who was unable to assume any responsibility for the Government of the Reich, though he had expressed the hope that he would be able to associate himself with the steps which the other Governments had already promised to take.<sup>1</sup>

#### 24. Close of the Session.

M. LOUCHEUR (France), on behalf of the Committee thanked the Chairman for the masterly fashion in which he had directed the debates.

The CHAIRMAN thanked the members of the Committee for the confidence and friendly spirit which they had shown him ; he expressed the hope that the work of the Committee would be fruitful in results ; and he addressed his thanks on behalf of himself and his colleagues to the staff of the Secretariat which had helped the Committee in its work and particularly to M. Baumont, who had acted as its Secretary.

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<sup>1</sup> At the request of the Chairman, a letter from M. Keto, Finnish delegate to the Second Committee, is given as an Annex to the Minutes (Annex 10).

WORK OF THE INTERNATIONAL COMMITTEE ON INTELLECTUAL CO-OPERATION  
AND OF THE INTERNATIONAL INSTITUTE FOR INTELLECTUAL CO-OPERATION.

DRAFT REPORT SUBMITTED TO THE SECOND COMMITTEE BY M. VALDÉS-MENDEVILLE (CHILE).

I. *Work of the Committee and of the International Institute for Intellectual Co-operation.*

The Organisation for Intellectual Co-operation has arrived this year at a turning point in its brief history. Following the usual course of all enterprises, the first years of activity were devoted on the one hand to exploring this vast field of co-operation in science, letters, art, education and intellectual rights, and on the other to endeavouring to obtain in these various directions certain partial results, some of which have been achieved, whilst others have met with obstacles. It cannot be denied that in the zeal aroused by the enormous interest of the subject, more work was undertaken than it was possible to carry through. A systematic revision of all the work in progress had therefore become necessary. The object of this revision is to improve the working and organisation of intellectual co-operation — both Committee and executive organs — in order to satisfy aspirations which are becoming universal ; for, as the President and the Rapporteur of the Committee observed in 1929, "Intellectual co-operation has made constant progress in the world during the last two or three years. On all sides one sees this co-operation appear as one of the most characteristic needs of our time". This idea of reviewing the work done, to which the Committee on Intellectual Co-operation gave expression last year when it instructed the Institute and the Secretariat to draw up a complete table of the resolutions adopted by it since the beginning, took shape this year.

It is advisable, however, before examining the resolution adopted by the Committee on this subject, to review briefly the normal work of the Organisation for Intellectual Co-operation since the last Assembly.

The Plenary Committee examined with its usual care the resolutions of its four sub-committees which had discussed the work of the International Institute for Intellectual Co-operation and prepared its programme for the following year. These resolutions, sometimes a trifle exuberant, are, in any case, too numerous to be mentioned individually here. The following may be mentioned as of particular interest :

A. *University Questions.*

1. Periodical meetings, such as those of the representatives of university information offices, of representatives of institutes of higher international studies, etc. ;

2. The important scheme for a meeting of the directors of higher education in various countries ;

3. The encouragement given to the plan for an International Congress of professors of languages and modern civilisation, which the Hungarian Government proposes should be held at Budapest.

B. *Science.*

The development of international co-ordination of libraries ; the co-ordination of the bibliography of the various sciences.

C. *Letters.*

The publication of translations of the Latin-American classics, thanks to subsidies provided by the States concerned — an undertaking which will be of the greatest value in making other continents better acquainted with the increasingly important contributions of this part of the world to modern culture.

D. *Art.*

The development of the activities of the International Museums Office, both in museography and in the co-ordination of museums. We may here recall the success of the International Exhibition of Casts, organised recently by this office, thanks to the hospitality of the city of Cologne.

E. *Intellectual Rights.*

The decision taken by the International Committee — which particularly deserves to be brought to the notice of the Assembly — to ask the International Institute for Intellectual Co-operation, in conjunction with the International Institute for the Unification of Private Law at Rome and of the International Bureau at Berne, to study the expediency of reaching a general understanding for the unification of the rules on authors' rights as determined by the Conventions of Berne and of Havana.

The Plenary Committee further approved the publication begun this year of the Review entitled "La Coopération intellectuelle", which records, in addition to the work of the Institute for Intellectual Co-operation, all matters of importance concerning the movement for intellectual co-operation in different countries. It approved the proposal of the Institute on the subject of intellectual statistics.

The representatives of a very large number of National Committees met before the session of the Plenary Committee. This meeting — the second of its kind — must be considered a very useful means of contact and collaboration between the intellectual circles of various countries and the International Committee on Intellectual Co-operation. Both the representatives of the National Committees themselves and the International Committee would like to see these meetings become of regular occurrence and the International Committee will do its best to bring this about.

The National Committees very usefully discussed their methods and constitution and the means of rendering effective their collaboration with the Organisation for Intellectual Co-operation. They also made various objections both to the programme and organisation of the Committee and to the work of the Institute for Intellectual Co-operation.

These objections, the criticisms made in various quarters, and the suggestions contained in a memorandum of the Chairman of the International Committee, confirmed the Committee in its resolve to proceed without delay to the general survey of the situation mentioned at the beginning of this report. In view of the impossibility of dealing with the matter itself during the course of the session, the Committee resolved to constitute a Committee of Enquiry composed principally of its own members but with the addition of a few other qualified persons. This Committee, whose duty it will be to examine all the opinions expressed and suggestions made, will present to the Committee on Intellectual Co-operation a report containing proposals for improvements in the programme and work of the Committee and the organisations connected with it with a view to increasing the concrete results of their work.

The creation of the Committee of Enquiry was approved by the Council on August 31st, 1929, but was not provided for in the budget communicated to Members of the Assembly at the beginning of June. In order that it may be carried out, the Second Committee would have to request the Fourth Committee to approve the credit of 65,000 francs entered for this purpose in the supplementary budget.

One of the special branches of the Committee's work, which has from the outset aroused the greatest interest, is that of instructing youth in the aims of the League of Nations. The Sub-Committee of Experts established for this purpose has not met since 1927 ; taking into consideration the progress achieved in this connection and the replies to the Secretary-General's circular letters, the Committee feels that this Sub-Committee should be convened in 1930 to prepare a fresh plan of campaign, in the light of the important results already obtained.

Attention should be drawn to the following :

1. The reports received from the Governments of States Members, setting out all that has been done to acquaint the younger generation with the aims and organisation of the Geneva institutions and to accustom this generation to regard international co-operation as the best method of solving the world's difficulties.
2. The expansion of the Educational Information Centre set up at Geneva and in Paris.
3. The publication of the handbook which the Secretary-General has been instructed to prepare, in order to place at the disposal of teachers through their Governments an adequate description of the *Aims and Organisation of the League of Nations*. This handbook has been very well received everywhere. The Second Committee would undoubtedly wish to congratulate the Secretary-General on this result and request that this publication should be given the widest possible circulation. Should it be decided to meet the wishes of many Governments, which have asked for a translation to be made under the supervision of the Secretariat, it will be necessary to request the Fourth Committee to increase, by 33,000 francs, the credit entered under Article 25 of the budget for printing in this section.
4. The publication of the *Educational Survey*, as a supplement to the above, the first number of which has just been published.

If the Second Committee agrees that the *Educational Survey* will be extremely useful to teachers, it may approve the decision of the International Committee on Intellectual Co-operation to publish it twice, instead of once, annually. If so, the Fourth Committee will have to be requested to approve a supplementary credit of 5,000 francs.

## II. *International Educational Cinematographic Institute.*

The International Educational Cinematographic Institute, established by the League of Nations as a result of the Italian Government's generous offer, was inaugurated in the presence of H.M. the King of Italy on November 5th, 1928. The Governing Body, which consists at present of fifteen persons chosen from among all the nations of the world, including nationals of States non-Members as well as of States Members of the League, held its first session at Rome under the presidency of M. Alfredo Rocco, immediately after the inauguration of the Institute. The Governing Body drew up the general and administrative regulations for the Institute, on the basis of the Organic Statute approved by the Council of the League and by the Italian Government, and also the financial regulations. In the first of these documents, the Governing Body chiefly endeavoured to define the aims, spirit and methods of the new institution. Its object is to encourage the production and dissemination of educational films, bearing in mind the necessity of working, in the spirit of the League, to promote mutual understanding among the nations.

The methods are those already approved by other organs of the League ; co-ordination of effort, international co-operation on the basis of the work accomplished in each country. The

Governing Body has refrained from building up the International Educational Cinematographic Institute on any rigid lines, as it intends first to explore the ground and collect the necessary information. Consequently, after preparing the two documents mentioned above, it instructed the Director of the Institute to establish relations with official bodies and private organisations whose aims concord with those of the Institute.

The Governing Body also appointed the members of the Permanent Executive Committee and the Budget Committee, as well as the Director of the Institute.

The Permanent Executive Committee has met twice, in conformity with the Statute, and has made such appointments as are indispensable for carrying on the ordinary work of the Institute. At each of its two sessions, it has listened to a detailed report by the Director on the progress of the work. A circumstantial report on the work of the Permanent Executive Committee will be submitted to the next meeting of the Governing Body in October.

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ANNEX 2.

A. II. 3. 1929.

WORK OF THE ECONOMIC ORGANISATION OF THE LEAGUE OF NATIONS.

DRAFT REPORT SUBMITTED BY DR. BREITSCHIED (Germany).

Two years have passed since we, in this same Committee, noted, with enthusiastic approval, the resolutions of the International Economic Conference.

This expression of the Assembly's opinion was followed by statements on the part of a great number of Governments.

The fundamental idea which emerged from all the reports of the Conference was the desirability of closer co-operation between the various countries in their economic life. The Conference was a movement of reaction against the exaggerated economic nationalism which arose after the war — on quite comprehensible grounds — and which has unfortunately exercised a baneful influence on world economy, more particularly on the economic situation of Europe.

The Conference, however, did not merely recommend as a remedy a reversion to the situation in 1913 and nothing more. On the contrary, it desired to lead the various nations towards a co-operation more intimate than that which existed before the war and indicated, as a means for attaining this end, the gradual elimination of barriers of every kind and, in the first place, of Customs barriers.

We are now nearing the end of 1929, and are obliged to admit that, in spite of a few minor and sporadic efforts, no decisive movement has occurred in this direction.

While not wishing to belittle these endeavours, we can hardly regard as a change of policy the adjustments that have been made in treaties of commerce. In the fundamental conception of the commercial policy of States there has, up to the present, been no change.

In these circumstances, many are wondering, with increasing anxiety, whether the methods hitherto followed will ever lead us out of the slough or whether it would not be preferable to seek new paths.

When, therefore, certain distinguished persons referred recently to Europe's need of economic reorganisation, these allusions, very vague though they were, found an immediate echo among the most diverse sections of public opinion : believers are delighted, while sceptics shake their heads ; ingenuous persons build castles in the air, while the wise men scoff. And yet this general effervescence is a certain sign of a hidden but powerful aspiration.

Forgive me if I seem to be submitting very general considerations, but it would not be possible to form a fair opinion of the work of the Economic Organisation of the League during the past year without taking into account the atmosphere in which that work has been conducted. We are bound to admit that this work is practically all that has been done to achieve, by new methods, some progress in carrying out the principles of the 1927 Conference.

Before enumerating briefly the principal tasks undertaken by the Economic Organisation, I would merely observe that, although this Organisation very clearly realises the difficulties of the times, its work inevitably suffers from the limits imposed upon it and, above all, from the absence of any common determination, clearly expressed by official acts, to take joint action with a view to closer international co-operation.

A. Commerce.

1. In a document, concise but substantial, the Economic Committee has stated certain *fundamental principles of present commercial policy*. Called upon to choose between the two systems of the non-reducible tariff and the tariff reducible by negotiation, the Economic Committee wisely replies that the question of method is a secondary one, and that the important point is the level of the duties and the readiness of all parties to adapt themselves to the requirements of others.

The field of application, the scope of the most-favoured-nation clause, and the exceptions allowable under this clause, have often been interpreted in widely different ways. The Economic Committee has established a coherent doctrine which will certainly help to eliminate the causes of dispute in this matter.

The Committee has also agreed on a *model formula* for the clause which it recommends all countries to adopt. Two points, however, call for special mention : (1) The model formula only



applies to Customs tariffs and not, as the International Economic Conference recommended, to other "commercial conditions"; (2) The problem of the interdependence of collective conventions and bilateral treaties has not yet been solved. The problem arises in the following form: Can third States claim, as an indisputable right on the basis of the most-favoured-nation clause, benefits arising under an agreement concluded under the auspices of the League between a considerable number of nations in the interests of economic progress? The Economic Committee proposes that States should agree to insert in their bilateral treaties, founded on the most-favoured-nation clause, a reservation to the effect that the clause will not apply to such collective conventions. That would be a legitimate procedure, but what would happen if a State refused to conclude a bilateral treaty including a reservation of this kind? Are the reduced duties mutually granted by parties to a multilateral agreement applicable only to these parties, or may a third State claim the benefits on the basis of the most-favoured-nation clause? That is a gap to be filled by international law, which, in this respect, may evolve more rapidly.

The doctrine laid down in this report of the Economic Committee has been communicated by the Council to the various States. It is to be hoped the States will duly act on its principles and will, above all, give the Council their opinion on the solutions proposed by the Committee

2. *The International Convention for the Abolition of Prohibitions*, which the last Assembly noted with the greatest satisfaction, has, up to the present, been signed by twenty-nine countries including the United States of America. In order to come into force, the Convention must be ratified before the end of this month by at least eighteen States. Also, every State is entitled to subordinate the application of the Convention in its own case to ratification by other countries specified by itself. Up to the present only eleven States have deposited the instruments of ratification. The Second Committee will doubtless desire to address a very urgent appeal to the Governments which have already sought, or are about to seek, constitutional approval of the Convention, to do all that lies in their power to ensure that their ratifications shall be deposited within the prescribed time-limit.

It would be extremely regrettable for the economic work of the League if this first collective agreement on Customs matters were not to come into force owing to lack of ratifications, seeing that its object is to restore to international trade — particularly as regards the circulation of raw materials — that freedom and security which it enjoyed before the war.

3. Pending the time when general agreements for the lowering of Customs tariffs become a feasible proposition, the Economic Committee has continued its experiments *concerning the Customs régime on certain groups of commodities*.

The Economic Committee has met with considerable difficulties in the course of its enquiry. The weak points of this method, namely, examining *seriatim* the rights applicable to a given group of articles, have been clearly set out in the last report of the Consultative Committee, which nevertheless suggests that the enquiries should be continued in respect of other groups of goods. The main danger might be held to be that this process would take too much time. But there are, perhaps, grounds for the hope that, during the present session of the Assembly, fresh means will be found for attaining a new form of economic co-operation in this domain.

4. International co-operation in the economic sphere would be illusory if, while facilitating the exchange of goods, it did not, at the same time, consider the question of ensuring for *foreigners and foreign undertakings* an equitable degree of freedom and security in the exercise of every form of economic activity. We shall therefore follow with close interest the discussions of the diplomatic Conference which is to meet at Geneva on November 5th next to consider the draft Convention on the treatment of persons and companies permitted to establish themselves in foreign territory.

This draft, to the preparation of which the Economic Committee has devoted years of toil, tends on the whole to grant to foreigners and foreign undertakings a treatment as far as possible equal to that enjoyed by nationals. Its adoption would certainly constitute considerable progress in international economic relations and would, at the same time, mark the application, by international agreement, of the Council's recommendations to the various countries in 1923 and 1925.

5. The business world is keenly interested in all progress tending to facilitate the circulation of instruments of credit. It will doubtless be glad to learn that an international conference has been convened, for February 17th, 1930, on the basis of the drafts established by the Economic Committee with the assistance of highly qualified experts, the main object of which is to harmonise the various bill-of-exchange laws of what is known as the "continental" type, and to settle the conflict of laws to which the disparity of national laws might give rise. Even the partial unification of the rules of law on this subject would be an obvious gain to the business world.

6. My rapid survey of the work accomplished by the Economic Organisation in the sphere of trade would be incomplete if I omitted all reference to its important enquiries into the question of *indirect protectionism*, the mass of work which entitles us to hope that Customs nomenclature may shortly be unified — a very necessary preliminary to the conclusion of collective conventions for the lowering of tariffs — and, finally, the enquiry into the protection of the riches of the sea, research work in connection with the pursuit and punishment of smuggling and alcohol smuggling in particular, not to mention other work of an essentially technical character.

## B. Industry.

1. *International industrial agreements* continue to increase in number and importance. The part they play in economic development, their connection with commercial policy, and the influence they may exercise in international relations, deserve our closest attention.

The work of the experts who were instructed to enquire into the legal framework within which these agreements are evolved, and the various forms they may take, are proceeding satisfactorily with the assistance of highly qualified specialists. The experts are not merely collecting the texts of laws, but are endeavouring to determine and define the fundamental principles on which the various types of law are based. The case law which is slowly growing up on the basis of specific decisions, and administrative measures adopted by the various Governments in this domain, also come within the scope of their enquiry.

The Economic Committee will shortly be in a position to publish a first and carefully substantiated report on this subject. The report's main value will lie in the light it will throw on the relations between the State and industrial organisations or, in other terms, the economic policy followed by Governments in the face of the phenomenon of industrial combinations. This study must, however, in conformity with the recommendations of the International Economic Conference, be accompanied by parallel research work concerning mainly the economic effects of international industrial combinations.

It is indeed important that the part which international industrial agreements play, or will be called upon to play, either in the economic life of the various countries or as a factor likely to influence international relations, should be clearly defined. The Economic Consultative Committee has stated in its latest report that "cartels have tended to stabilise rather than to modify the tariff position". It would be desirable that the progress achieved in this work, either in the collection of information on existing international industrial agreements, or more detailed enquiries regarding certain particularly important industrial combinations, should be speeded up and, with the assistance of experts, completed as soon as possible.

2. The formidable problems raised by the present position of the *coal industry* have been studied in their various aspects by the Economic Committee, which has endeavoured to take into account all the interests concerned.

The Economic Committee organised a meeting of eminent technicians belonging both to consuming and producing countries; it pursued its enquiry by having recourse to labour experts. The Committee has organised, for September 30th, a joint meeting of experts acquainted with the views both of producers' and workers' organisations; the main object of the meeting, which will also include experts from consuming countries, will be to discuss the principal ideas in the interim report prepared by the Economic Committee, dealing with the international aspects of the coal problem.

3. After consulting experts of the *sugar industry* and experts in the production of beet, the Economic Committee submitted to the Council a detailed report on the sugar question as a whole. Though it is true that the majority of the experts — representatives both of industry and of agriculture — were of opinion that, in existing circumstances, the conclusion of a convention between States, based on the principles of the Brussels Convention, would not be likely to provide a solution for the crisis, all were agreed in recognising that the difficulties have been accentuated by the measures taken in many countries to stimulate the production of sugar, without consideration of the effects of their unco-ordinated action on the world situation. The Economic Committee's report states that the difficulties with which the industry is at present beset are such as can, to a large extent, remedy themselves, and suggests to the Council that the attention of Governments should be drawn to the desirability of ascertaining whether there is any possibility of lowering their excise duties on sugar without adversely affecting their fiscal position.

## C. Agriculture.

1. *Agricultural problems* have occupied a particularly important place this year in the Consultative Committee's discussions. The difficulties which agriculturists have to contend with in a very large number of countries entitle them to special consideration from the League's Economic Organisation.

With a view to ensuring for agricultural interests a more prominent share in this Organisation, the Consultative Committee has proposed the appointment of a certain number of qualified agricultural experts, to be associated with the Economic Organisation, who could give the Economic Committee technical assistance in studying all general economic problems in which the agricultural factor plays, in one form or another, a considerable part.

The Economic Committee, which has received instructions on this matter from the Council, will examine, at its next session, the most suitable methods of giving effect to the Consultative Committee's recommendation.

The relations of the Economic Organisation with the International Institute of Agriculture at Rome have developed normally during the past year and this collaboration is producing more and more satisfactory results.

2. The work, which is being done by the Committee of Experts under the direction of the Economic Committee, with regard to the *campaign against the diseases of animals* and the application of veterinary regulations, is of equal interest to all countries exporting or importing live-stock and animal products, both from the point of view of the welfare of the agricultural classes and from that of a commercial policy which pays due regard to the health of the national live-stock,

but which is, nevertheless, resolved that the protection of the health of animals shall not become an instrument of economic protection.

There is every reason to believe that the conclusions formulated by the experts as regards the organisation of veterinary services and the publication and circulation of health bulletins will receive the unanimous approval of the States concerned.

An agreement on these fundamental questions will constitute a preliminary condition, which will probably make it possible to grant more ample facilities to the international trade in live-stock and animal products. This trade can only develop satisfactorily on the basis of reciprocal confidence and closer technical co-operation, with the twofold object of successfully overcoming the risks connected with this trade and preventing the imposition of restrictions or barriers beyond the limits of the measures regarded by the experts as indispensable and adequate.

#### D. *Statistics and Publications.*

Last year, a hope was expressed that the proposed *Statistical Conference* would produce important results. I am happy to state that this hope has been entirely fulfilled. The Conference was held in November and December last, and was attended by the representatives of forty-two countries. The International Convention drawn up by the Conference, which has so far been signed by twenty-seven countries, involves definite obligations as regards the scope of economic statistics, and the methods to be employed in compiling international trade statistics. The Convention also provides for the adoption of certain guiding principles for the compilation of mineral and metallurgical statistics and statistics of fisheries. Lastly, it lays down certain rules concerning the indices of industrial activity and censuses of industrial and agricultural production. It was also decided that a Committee of Experts should be set up to continue the work begun by the Conference.

In Recommendation XI of the Final Act of the Conference, the Secretary-General was requested to draw up a list of ports of loading and unloading open to international trade, and to revise this list from time to time. I would ask you to be good enough to adopt a resolution authorising the publication of this list as soon as it has been completed.

It is highly desirable that the Committee of Experts should be put in a position to begin this work, and that all the necessary steps should be taken as soon as possible to give effect to the Convention. It is therefore to be hoped that ratifications will be rapidly effected during the autumn.

Lastly, mention should be made of the publications of the Economic Intelligence Service. Since the last session of the Assembly, this Service has issued new editions of the *Memorandum on International Trade and the Balance of Payments* (two volumes), the *International Statistical Year-Book* and the *Memorandum on Production and Trade*. The *Monthly Bulletin of Statistics* is also published regularly by this Service, which hopes to be in a position to issue very shortly a *Memorandum on Commercial Banks* and a new edition of the *Memorandum on Public Finance*.

I should be glad if you would expressly approve the annual publication of the *Memorandum on Production and Trade*, prepared for the first time for the information of the World Economic Conference, and which has since become an annual publication for the use of the Economic Consultative Committee, containing a survey of economic tendencies throughout the world. In addition to chapters on production, trade and the movements of populations, this publication now includes an analysis of the relative movements of the prices of raw materials and manufactured commodities. It is thus of particular interest in view of the work upon which the Economic Organisation is at present engaged.

I shall not make any special mention of the other publications referred to above. I need only say that they are becoming more and more comprehensive and complete each year, and now constitute works of reference that are in general use.

A striking tribute to the work of this branch of the Economic and Financial Organisation has been paid by the Rockefeller Foundation through its generous offer which has already been accepted by the Council, to place at the disposal of the Organisation a sum of 200,000 Swiss francs, for the publication of a collection of the monetary laws and laws on central banks of all countries.

The publication of a collection of this kind has long been contemplated and ample data have already been collected on the subject. Owing, however, to the heavy expenditure involved, it could not be printed. The Rockefeller Foundation's offer is, therefore, particularly welcome.

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In conclusion, I have the honour to submit the following draft resolutions :

1. " The Assembly :

"Considers that the adoption of the principles laid down by the Economic Committee with regard to tariff systems, contractual methods and the application of the most-favoured-nation clause would do much to improve international economic relations, and strongly recommends the conclusions of the said Committee to the attention of Governments whom it invites to submit their observations on this matter as soon as possible to the Council."

2. " The Assembly :

" Notes with regret that the Convention for the Abolition of Prohibitions has as yet been ratified by only ten countries, whereas, if it is to come into force, eighteen ratifications are required before September 30th, 1929 ;

" Emphasises once again the importance of this international act and addresses an urgent appeal to all the Governments concerned to do their utmost to counteract the danger that the Convention may thus fail to come into force."

3. " The Assembly :

" Having been informed that an International Conference is to be summoned for November 5th, 1929, the basis of its discussions being the Draft Convention prepared by the Economic Committee concerning the treatment of foreigners and foreign undertakings ;

" Being convinced that the entry into force of an International Convention based on the above-mentioned Draft Convention would do much to promote international co-operation by ensuring better and more equitable conditions with regard to the settlement and economic activities of the nationals of one country in the territory of another :

" Recommends the Conference to examine the principles of the Draft Convention in the most liberal spirit and with the sincere desire to establish, as regards settlement and questions connected therewith, a system of equity and freedom, excluding, entirely, all possibility of discrimination in the treatment of nationals and foreigners, by providing the latter with every facility for the conduct of their profession or trade."

4. " The Assembly :

" Notes with satisfaction the conclusion of the Convention of December 14th, 1928, relating to economic statistics, and earnestly hopes that this Convention will be ratified without delay by a large number of countries ;

" Expresses the hope that effect will be given to Recommendation XI, adopted by this Conference, and that the list of ports of loading and unloading mentioned in the Recommendation will be duly prepared and published ;

" Emphasises the value of the publications of the Economic and Financial Organisation, and approves the annual publication of the general survey of world conditions included in the *Memorandum on Production and Trade* submitted to the Economic Consultative Committee."

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ANNEX 2a.

WORK OF THE ECONOMIC ORGANISATION OF THE LEAGUE OF NATIONS.

DRAFT REPORT SUBMITTED BY THE DRAFTING COMMITTEE.

Two years have passed since we, in this same Committee, noted, with enthusiastic approval, the resolutions of the International Economic Conference.

This expression of the Assembly's opinion was followed by statements on the part of a great number of Governments.

The fundamental idea which emerged from all the reports of the Conference was the desirability of closer co-operation between the various countries in their economic life. The Conference was a movement of reaction against the exaggerated economic nationalism which arose after the war — on quite comprehensible grounds — and which has unfortunately exercised a detrimental influence on world economy, more particularly on the economic situation of Europe.

The Conference, however, did not merely recommend, as a remedy, a reversion to the situation in 1913 and nothing more. On the contrary, it desired to lead the various nations towards a co-operation more intimate than that which existed before the war and indicated, as one of the means for attaining this end, the gradual reduction of barriers of every kind, and, in the first place, of excessive Customs barriers.

We are now nearing the end of 1929, and are obliged to admit that, in spite of a few sporadic efforts, no decisive movement has occurred in this direction.

While not wishing to belittle these endeavours, we can hardly regard as a change of policy the adjustments that have been made in treaties of commerce. In the fundamental conception of the commercial policy of States there has, up to the present, been no change.

In these circumstances, many are wondering, with increasing anxiety, whether the methods hitherto followed will ever lead us out of the present state of disorder or whether it would not be preferable to seek new paths.

When, therefore, certain distinguished persons referred recently to Europe's need of economic reorganisation, these allusions found an immediate echo among the most diverse sections of public opinion.

It was natural that this apprehension, arising out of an obscure but powerful impulse, should find expression from the platform of this Assembly. And indeed, while the Prime Minister of Great Britain emphasised the necessity of concluding agreements to increase economic freedom,

the speech of the Prime Minister of France clearly brought out the most striking aspects of the European problem.

The Minister for Foreign Affairs and first delegate of Germany, dealing more particularly with the technical and economic organisation of the Continent, sought to demonstrate the risks due to its subdivision into a very large number of economic units, separated by numerous barriers. He showed how this state of affairs is incompatible with the development of communications and the fundamental needs of a sound organisation of production.

From a similar point of view, but one not limited to the purely European sphere, the Minister for Foreign Affairs and first delegate of Belgium reminded the Assembly of the very important resolution passed by the International Economic Conference, namely, that "the time has come to put an end to the increase of tariffs and to move in the opposite direction"; and it was with the object of carrying out the first part of that resolution that he suggested to the Assembly the idea of a Customs truce which was at once taken up and treated in greater detail by the President of the Board of Trade of Great Britain.

These various suggestions have been thoroughly discussed in the Second Committee and have ultimately been condensed into a single resolution which was moved jointly by the delegations of France, Great Britain and Belgium and adopted by the Second Committee.

It will be observed that this resolution makes no mention of the special difficulties which Europe has to face. It was thought better not to refer to them so as not to restrict the universal scope of the resolution. Nevertheless, the preoccupation with these difficulties has, on several occasions, found expression during the Second Committee's discussions.

On the other hand, the delegations of certain overseas countries and those of certain European countries in whose economic structure agriculture plays a preponderant part and whose industries are not yet adequately developed, laid stress on the fact that, in any attempt to study Customs tariffs, it was necessary, in order to keep in close touch with realities, to bear in mind the differences, sometimes very great, in the stages of economic development reached by different countries.

The Second Committee expressed the opinion that the Governments of the various countries must be entirely unhampered in taking a decision as to the idea of a Customs truce and the idea of entering, during that period, into negotiations with a view to establishing a first collective agreement designed to strengthen and facilitate economic relations by any means that may seem practicable, and more particularly by the lowering of Customs barriers and the reduction of impediments to trade.

If results of practical value are to be attained, it seems desirable that only those States should take part in the contemplated negotiations which, having regard to their special economic position, think that the suggested measures may allow of a fair balance between the sacrifices they would be prepared to make and the advantages they might secure.

We shall thus have three distinct stages :

- (a) An invitation to all countries to state whether they wish to take part in the Conference to be held with a view to a Customs truce ;
- (b) Negotiations extending over a considerable period among such States as may have concluded an agreement for a Customs truce ;
- (c) A final meeting to endorse the results of the above-mentioned negotiations ; to this meeting, however, all States without distinction will be invited, so that they may have an opportunity of becoming parties to the agreement in question if they think it expedient.

It does not seem necessary to comment at any greater length on this draft resolution. We may mention, however, that the discussion brought into strong relief the conviction that negotiations for an economic *rapprochement* must not be left entirely in the hands of technical experts but that, on the contrary, it is essential for Governments to participate more directly than they have hitherto done.

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The work of the Economic Organisation during the past years represents a most valuable attempt to accomplish, by new methods, some progress in the realisation of the principles laid down by the Economic Conference of 1927. These principles concern the following questions :

#### A. Commerce.

1. In a document, concise but substantial, the Economic Committee has stated certain *fundamental principles* of present commercial policy. Called upon to choose between the two systems of the non-reducible tariff and the tariff reducible by negotiation, the Economic Committee wisely replies that the question of method is a secondary one, and that the important point is the level of the duties and the readiness of all parties to adapt themselves to the requirements of others.

The field of application, the scope of the most-favoured-nation clause, and the exceptions allowable under this clause, have often been interpreted in widely different ways. The Economic Committee has proposed a coherent doctrine which should certainly help to eliminate the causes of disputes in this matter.

The Committee has also agreed on a *model formula* for the clause which it recommends all countries to adopt. Two points, however, call for special mention : (1) The Committee's enquiry has been limited to Customs matters, and has not covered the application of the clause to other commercial conditions, as recommended by the Economic Conference ; (2) The problem of the interdependence of collective conventions and bilateral treaties has not yet been solved.

This problem arises in the following form : Can third States claim, as an indisputable right on the basis of the most-favoured-nation clause, benefits arising under an agreement concluded, under the auspices of the League, between a considerable number of nations in the interests of world economic progress?

The Economic Committee has expressed the opinion that States would not be acting in a manner contrary to the recommendations of the International Economic Conference if they agreed to insert in their bilateral treaties, founded on the most-favoured-nation clause, a reservation to the effect that the clause inserted in those bilateral conventions would not apply to collective conventions such as those referred to above.

But what would happen if a State refused to conclude a bilateral treaty including such a reservation? Are the reduced duties mutually granted by parties to a multilateral agreement applicable only to these parties, or may a third State claim the benefits on the basis of the most-favoured-nation clause? That is a question to be settled by international law.

The doctrines laid down in this report of the Economic Committee have been communicated by the Council to the various States. It is to be hoped that the latter will give the Council their opinion on the solutions proposed by the Committee.

2. *The International Convention for the Abolition of Prohibitions*, which the last Assembly noted with the greatest satisfaction, has up to the present been signed by twenty-nine countries including the United States of America. In order to come into force, the Convention must be ratified before the end of September 1929 by at least eighteen States. Every State is entitled to make the application of the Convention in its own case conditional upon ratification by one or more of the fourteen countries specified in Article C of the Supplementary Agreement.

Up to the present only twelve States have deposited the instruments of ratification. Although other ratifications may be hoped for before the expiry of the time-limit on September 30th, 1929, it is still improbable that the figure of eighteen will be reached by then ; the Second Committee therefore thinks it desirable that the Assembly should address an urgent appeal to all the Governments concerned to do all that lies in their power to ensure that the Convention may nevertheless enter into force before January 1st, 1930 — the date specified in the Convention.

It would be extremely regrettable for the economic work of the League if this important collective agreement were not to come into force owing to lack of ratifications, seeing that its object is to restore to international trade — particularly as regards the circulation of raw materials — that freedom and security which it enjoyed before the war.

3. With regard to the *export régime for raw hides, skins and bones*, the Agreements signed in July 1928 will come into force on October 1st next, following the agreement concluded on September 11th, 1929, between seventeen signatory States.

This satisfactory result is due to the undertaking given by eight of those States not to avail themselves of the maximum export duty on bones which had been allowed to them.

These Agreements put an end to import and export prohibitions in respect of hides, skins and bones, abolish export duties on hides and skins, and fix maximum rates for export duties on bones. They thus constitute the first collective agreement on Customs matters since the war, and their importance far exceeds that of the commodities to which they refer, since they may be regarded as a small first step towards the realisation of one of the principal aims of the International Economic Conference of 1927, namely, the gradual lowering of Customs barriers by collective action.

4. The Economic Committee is also continuing its work in this direction by means of enquiries into the *Customs régime for certain groups of goods*.

In this field the Economic Committee has encountered serious difficulties. The weak points in the method, which consists in examining, one after the other, the duties applying to a given group of articles, were frankly stated in the Consultative Committee's last report, which suggested, however, that the scope of these enquiries should be enlarged to cover more complex groups of commodities of importance to several different classes of producer. In view of this suggestion, the Economic Committee proposes to study — with the advice of selected experts representing both industry and agriculture — the Customs duties imposed on agricultural machinery and implements.

5. International co-operation in the economic sphere would be illusory if, while facilitating the exchange of goods, it did not, at the same time, consider the question of ensuring for *foreigners and foreign undertakings* the freedom and security necessary for the exercise of every form of economic activity. We shall therefore follow with close interest the discussions of the Diplomatic Conference which is to meet at Geneva on November 5th next to consider the draft Convention on the treatment of persons and companies permitted to establish themselves on foreign territory.

This draft, to the preparation of which the Economic Committee had devoted years of toil, tends, as a whole, to grant to foreigners and foreign undertakings a treatment as far as possible equal to that enjoyed by nationals. Its adoption would certainly constitute considerable progress in international economic relations and would, at the same time, mark the application, by international agreement, of the Council's recommendations to the various countries in 1923 and 1925.

6. The business world is keenly interested in all steps tending to *facilitate the circulation of instruments of credit*. It will doubtless be glad to learn that an International Conference has been convened, for February 17th, 1930, on the basis of the drafts prepared by the Economic Committee. The main objects of this Conference are to harmonise the various laws of what is known as the "continental" type relating to bills of exchange and cheques, and to settle the conflict of laws to



which the disparity of national laws might give rise. Even the partial unification of the rules of law on this subject would be an obvious gain to the business world.

7. The Sub-Committee of Experts entrusted with the work of preparation of a *unified Customs nomenclature* deserves to be congratulated on the work it has already accomplished. It has proved that the work can be carried out, but experience has already demonstrated how difficult is the task and how much time would have to be devoted to it.

Nevertheless, this unified nomenclature would constitute a valuable basis for the success of the negotiations about to be opened as a result of the Franco-British proposal; the Second Committee insists very strongly that the work of the experts should be pushed on with all possible speed in order that the complete draft may be terminated before the next session of the Assembly.

The Committee desires to point out that this will not be possible unless the Committee of Experts spends more time on its work than hitherto: it will probably have to sit almost continuously.

8. The Second Committee has noted, not without surprise, that the *1927 Convention for the Execution of Foreign Arbitral Awards* has been ratified at the present time by only five Governments. It desires to draw the attention of the States which are parties to the Protocol of 1923 — guaranteeing the *validity of the "clause compromissoire"* — to the position of inferiority in which their nationals will be placed until such time as they also have acceded to the Convention of 1927, which is desired to secure the *execution of arbitral awards*.

9. This rapid survey of the work accomplished by the Economic Organisation in the sphere of trade would be incomplete if all reference to its important enquiries into the question of *indirect protectionism* — a roundabout means of raising, in the way of international trade, barriers as difficult to overcome as excessive Customs duties — were omitted.

Mention should likewise be made of the enquiry into the protection of the riches of the sea, research work in connection with the suppression of smuggling and alcohol smuggling in particular, not to mention other work of an essentially technical character.

## B. Industry.

1. *International industrial agreements* continue to increase in number and importance. The part they play in economic development, their connection with commercial policy, and the influence they may exercise in international relations, deserve our closest attention.

The work of the experts who were instructed to enquire into the legal framework within which these agreements are evolved, and the various forms they may take, is proceeding satisfactorily with the assistance of highly qualified specialists. The experts are not merely collecting the texts of laws, but are endeavouring to determine and define the fundamental principles on which the various types of law are based. The case-law which is slowly growing up on the basis of specific decisions, and administrative measures adopted by the various Governments in this domain, also come within the scope of their enquiry.

The Economic Committee will shortly be in possession of a substantiated report on this subject. The report's main value will lie in the light it will throw on the relations between the State and industrial organisations or, in other terms, the economic policy followed by Governments in the face of the phenomenon of industrial combinations. This study must, however, in conformity with the recommendations of the International Economic Conference, be accompanied by parallel research work concerning mainly the economic effects of international industrial combinations.

It is indeed important that the part which international industrial agreements play, or will be called upon to play, either in the economic life of the various countries or as a factor likely to influence international relations, should be clearly defined by impartial and objective studies.

The Economic Consultative Committee has stated in its latest report that "cartels have tended to stabilise rather than to modify the tariff position". It would be desirable that the progress achieved in this work, either in the collection of information on existing international industrial agreements, or more detailed enquiries regarding certain particularly important industrial combinations, should be speeded up and, with the assistance of experts, completed as soon as possible.

2. The serious problems raised by the present position of the *coal industry* have been studied in their various aspects by the Economic Committee, which has endeavoured to take into account all the interests concerned.

The Economic Committee organised a meeting of experts on the owners' side belonging both to consuming and producing countries and continued its enquiry by having recourse to labour experts. The Committee has organised, for September 30th, a joint meeting of experts acquainted with the views both of producers' and workers' organisations; the main object of the meeting, which will also include experts from consuming countries, will be to discuss the principal ideas in the interim report prepared by the Economic Committee, dealing with the international aspects of the coal problem.

Pending the result of these studies to be carried out by the Economic Committee, the Second Committee, agreeing to the proposal submitted by the French and British delegations, is of opinion that it would be desirable to invite the International Labour Office to continue without delay the enquiry it has already undertaken into wages, hours and general working conditions in the coal-mines.

It consequently proposes to the Assembly, that the Assembly should invite the Governing Body of the International Labour Office to consider including in the agenda of the 1930 Labour Conference the problems referred to above, with a view to the conclusion of one or several international conventions on these points.

Moreover, the Governing Body of the International Labour Office is invited to consider the desirability of convening, at an early date, a preparatory technical conference of representatives of the Governments, employers and workers of the principal coal-producing countries of Europe for the purpose of indicating to the Governing Body the questions connected with working conditions in coal-mines which it would, in the Conference's opinion, be most desirable to include in the agenda of the 1930 International Labour Conference, with the object of arriving at a practical international agreement.

In addition, the Second Committee recommends that the Assembly should invite the Council to examine any recommendations which the Economic Committee may put forward as a result of the meeting of experts convened for September 30th, particularly with regard to fluctuations in price and the present difference between production and the consumers' needs and, moreover, to consider, taking into account more especially the results of the above examination, the expediency of convening a conference of the Governments concerned to study these recommendations.

3. After consulting experts of the *sugar industry* and experts in the production of beet, the Economic Committee submitted to the Council a detailed report on the sugar question as a whole. Though it is true that the majority of the experts — representatives both of industry and of agriculture — were of opinion that, in existing circumstances, the conclusion of a convention between States, based on the principles of the Brussels Convention, would not be likely to provide a solution for the crisis, all were agreed in recognising that the difficulties have been accentuated by the measures taken in many countries to stimulate the production of sugar, without consideration of the effects of their unco-ordinated action on the world situation. The Economic Committee's report states that the difficulties with which the industry is at present beset are such as can, to a large extent, remedy themselves, and suggests to the Council that the attention of Governments should be drawn to the desirability of ascertaining whether there is any possibility of lowering their excise duties on sugar without adversely affecting their fiscal position.

While awaiting the observations of Governments on this subject, the Economic Committee proposes to continue to observe with attention developments in the sugar question, so as to be able to furnish the Council at any moment with information from which it can "judge whether concerted international action would facilitate the solution of the problems to be dealt with".

The Council will therefore probably have to revert to this question, and in that case it might bear in mind a suggestion by the Second Committee (which appears below) regarding the possible holding of a conference.

### C. *Agriculture.*

1. The difficulties which *agriculturists* have to contend with entitle them to special consideration from the League's Economic Organisation.

With a view to ensuring for agricultural interests a more prominent share in this Organisation, the Consultative Committee has proposed the appointment of a certain number of qualified agricultural experts to be associated with the Economic Organisation, who could give the Economic Committee technical assistance in studying all general economic problems in which the agricultural factor plays a considerable part.

The Economic Committee, which has received instructions on this matter from the Council, will examine, at its next session, the most suitable methods of giving effect as rapidly as possible, to the Consultative Committee's recommendation.

The relations of the Economic Organisation with the International Institute of Agriculture at Rome have developed normally during the past year, and this collaboration is producing satisfactory results.

2. The work which is being done by the Committee of Experts under the direction of the Economic Committee, with regard to the *campaign against the diseases of animals* and the application of veterinary regulations, is of equal interest to all countries exporting or importing live-stock and animal products. But it is, nevertheless, necessary that the protection of the health of animals should not constitute an instrument of economic protection.

There is every reason to believe that the conclusions formulated by the experts as regards the organisation of veterinary services and the publication and circulation of health bulletins will receive the unanimous approval of the States concerned.

An agreement on these fundamental questions will constitute a preliminary condition, which will probably make it possible to grant more ample facilities to the international trade in live-stock and animal products. This trade can only develop satisfactorily on the basis of reciprocal confidence and closer technical collaboration, with the twofold object of successfully overcoming the risks connected with this trade and preventing the imposition of restrictions or barriers beyond the limits of the measures regarded by the experts as indispensable and adequate.

3. With regard to the *campaign against diseases in plants* the Economic Committee has noted the importance, from the point of view of international trade, of certain provisions contained in the International Convention concluded in April 1929, at Rome, under the auspices of the International Institute of Agriculture.

Before undertaking a more detailed study of the question, the Committee prefers to await an opportunity of considering, jointly with the International Institute of Agriculture, whether

any extension of international action in this matter is desirable and opportune, and in what manner the two organisations might, as may be necessary, allocate the various items of work to be undertaken and carried through.

In view, however, of the desirability of speeding up such work, the Second Committee is proposing to the Assembly a resolution on this subject.

#### D. *Statistics and Publications.*

Last year, a hope was expressed that the proposed *Statistical Conference* would produce important results. The Second Committee is happy to state that this hope has been entirely fulfilled. The Conference was held in November and December last, and was attended by the representatives of forty-two countries. The International Convention drawn up by the Conference, which has so far been signed by twenty-seven countries, involves definite obligations as regards the scope of economic statistics, and the methods to be employed in compiling international trade statistics. The Convention also provides for the adoption of certain guiding principles for the compilation of mineral and metallurgical statistics and statistics of fisheries. Lastly, it lays down certain rules concerning the indices of industrial activity and censuses of industrial and agricultural production. It was also decided that a Committee of Experts should be set up to continue the work begun by the Conference.

In Recommendation XI of the Final Act of the Conference, the Secretary-General was requested to draw up a list of ports of loading and unloading open to international trade, and to revise this list from time to time. The Second Committee would ask you to be good enough to adopt a resolution authorising the publication of this list as soon as it has been completed.

It is highly desirable that the Committee of Experts should be put in a position to begin their work, and that all the necessary steps should be taken, as soon as possible, to give effect to the Convention. It is therefore to be hoped that ratification will be rapidly effected.

Lastly, mention should be made of the publications of the Economic Intelligence Service. Since the last session of the Assembly, this Service has issued new editions of the *Memorandum on International Trade and the Balance of Payments* (two volumes), the *International Statistical Year-Book* and the *Memorandum on Production and Trade*. The *Monthly Bulletin of Statistics* is also published regularly by this Service, which hopes to be in a position to issue very shortly a *Memorandum on Commercial Banks* and a new edition of the *Memorandum on Public Finance*.

The Second Committee would be glad if you would expressly approve the annual publication of the *Memorandum on Production and Trade*, prepared for the first time for the information of the World Economic Conference and which has since become an annual publication for the use of the Economic Consultative Committee. In addition to chapters on production, trade and the movements of populations, this publication now includes an analysis of the relative movements of the prices of raw materials and manufactured commodities. It is thus of particular interest in view of the work upon which the Economic Organisation is at present engaged.

No special mention shall be made of the other publications referred to above. They are becoming more and more comprehensive and complete each year, and now constitute works of reference that are in general use.

The Committee hopes that, as a result of the Statistical Conference, the information furnished by national Administrations may be so perfected as to enable the League, as proposed by the Australian delegation, before very long to prepare an annual survey of economic development in which the large documentation at its disposal is summarised. It accordingly adopted unanimously the resolution on this subject submitted by the Australian delegation.

A striking tribute to the work of this branch of the Economic and Financial Organisation has been paid by the Rockefeller Foundation through its generous offer which has already been accepted by the Council, to place at the disposal of the Organisation a sum of 200,000 Swiss francs for the publication of a collection of the monetary laws and laws on central banks of all countries.

The publication of a collection of this kind has long been contemplated and ample data have already been collected on the subject. The Committee thinks that it is eminently desirable that this important publication should be kept up to date, once the original volumes have been issued.

#### E. *Economic Tendencies capable of affecting the Peace of the World.*

Another question to which the Economic Committee has devoted its attention is the enquiry recommended by the Economic Conference into economic tendencies capable of affecting the peace of the world. The Committee has made certain preliminary consultations with a view to submitting a preparatory report to the Council, on the basis of which an appeal may be made to university institutions throughout the world.

In the course of the discussions at this Assembly great stress has been laid upon the close relation between the political and economic factors which affect the peace of the world. The Committee confirms the opinion it has expressed in previous years, that this is a question of the highest importance, and hopes that when the Economic Committee has concluded its preliminary enquiries, the Council will be in a position, during the coming year, to issue an appeal which will have the effect of stimulating general discussions and research.

In conclusion, the Second Committee has the honour to submit the following draft resolutions :

1. "The Assembly :

"(a) Having taken note of the results obtained during the discussions of the Economic Consultative Committee, expresses its appreciation of the persevering efforts of that Committee and of the Economic Committee ;

"(b) Impressed by the importance of taking all possible steps to carry into effect the recommendations of the World Economic Conference of 1927 ;

"(c) Considering that no effective action will be possible in the future unless the Governments are now requested to examine in their turn the questions left in suspense by the Consultative Committee and by the Economic Committee, availing themselves of the work accomplished by those Committees to assist them in their decisions ;

"(d) Recommends that negotiations should be begun between such Members of the League of Nations and non-Member States as may desire to participate therein, with a view to promoting, at the earliest possible date, a meeting which would be convened by the Council to frame a first collective agreement for developing and facilitating economic relations by all practicable means, and especially by lowering tariff barriers and reducing hindrances to trade ; and,

"(e) In order that the preparatory work and the negotiations themselves should be pursued on a firm basis and in an atmosphere of confidence, it also recommends that States which are prepared to participate therein should agree not to increase their protective tariffs above the present level for a period of two or three years, or to impose new protective duties or create new impediments to trade, it being understood that this undertaking should not lead to any relaxation in the efforts which States are making to reduce their tariffs to the greatest possible extent by autonomous or bilateral action, in conformity with the recommendations of the World Economic Conference.

"(f) The Assembly therefore herewith requests Members of the League of Nations and non-Member States to intimate to the Secretary-General of the League of Nations, before December 31st, 1929, with or without the name of their representative; whether they are prepared to take part in a preliminary conference of delegates of Governments with a view to the conclusion of the agreement referred to in paragraph (e) above ;

"Requests the Council to instruct the Economic Committee to frame during its next session the text of a preliminary draft intended to serve as a basis for discussion ; and,

"Instructs the Secretary-General to take all necessary steps to ensure that the above-mentioned preliminary conference should meet at a date as near as possible to the end of January 1930."

2. "The Assembly :

"Considers in principle that the adoption of the principles laid down by the Economic Committee with regard to *tariff systems, contractual methods and the application of the most-favoured nation clause* would do much to improve international economic relations and strongly recommends the conclusions of the said Committee to the attention of Governments, whom it invites to submit their observations on this matter as soon as possible to the Council."

3. "The Assembly :

"Noting that only twelve ratifications have so far been secured for the *Convention for the Abolition of Import and Export Prohibitions and Restrictions*, though there is reason to hope that further ratifications may be deposited before the expiry of the time-limit on September 30th, but that, probably, by that date the eighteen ratifications required to enable the Convention to come into force will not have been obtained ;

"Once more emphasises the importance of this international instrument and addresses an urgent appeal to all Governments concerned to do all that lies in their power to enable the Convention to come into force on January 1st, 1930."

4. "The Assembly notes with satisfaction that seventeen States have undertaken to put the two International Arrangements of July 11th, 1928, relating to *the export of hides, skins and bones*, into force on October 1st."

5. "The Assembly :

"(a) Having been informed that an International Conference is to be summoned for November 5th, 1929, the basis of its discussions being the draft Convention prepared by the Economic Committee concerning the *treatment of foreigners* and foreign undertakings.

"Being convinced that the entry into force of an International Convention based on the above-mentioned draft would do much to promote international co-operation by ensuring better and more equitable conditions with regard to the settlement and economic activities of the nationals of one country in the territory of another ;

“Recommends the Conference to examine the principles of the Draft Convention in the most liberal spirit and with the sincere desire to secure the recognition, as regards settlement and questions connected therewith, of a régime of equity and freedom, excluding entirely all possibility of discrimination in the treatment of nationals and foreigners, by providing the latter with every facility for the conduct of their profession or trade.

“(b) The Assembly expresses also the desire that the Economic Committee should obtain information as soon as possible which would enable the Council to decide whether, in what form, and to what extent, the problem of the admission of foreigners in its economic aspect might usefully be considered.”

6. “The Assembly :

“Notes that the establishment of a simplified and unified *Customs nomenclature* is necessary for the conclusion of collective tariff agreements ;

“Considers that the Committee of Customs Experts should have completed the preparatory work entrusted to it before the meeting of the Eleventh Assembly and that no effort should be spared to obtain this result.”

7. “The Assembly :

“Noting that the Convention on the Execution of Foreign *Arbitral Awards*, opened for the signature of the several States by the Assembly on September 26th, 1927, has, up to the present, been ratified by only five Governments ;

“Draws the attention of all States which are contracting parties to the Protocol of 1923 on Arbitration Clauses, to the practical interest which they have in also signing and ratifying the 1927 Convention, as the latter supplies an important deficiency in the 1923 Protocol.”

8. “The Assembly expresses its sincere appreciation of the work performed by the Economic Committee in investigating the causes and effects of the present difficulties confronting the *coal industry*, and congratulates it upon its illuminating interim report (document C.150.M.58.1929.II) which it has already issued.

“It notes the statement of the Economic Committee in its interim report that, ‘as regards the third of the proposals for international action, that which relates to wages and hours, we will confine ourselves at this stage to saying that action in this field would appear to fall within the competence of the International Labour Office, not that of the Economic Organisation of the League’.

“It further understands that the International Labour Organisation has been conducting enquiries as to hours, wages and conditions of work in coal-mines since 1925, and that for several months the Governing Body has had under consideration a request from the Congress of the International Miners’ Federation, which met at Nimes last year, to convene a conference of the principal coal-producing countries, with a view to the equalisation and reduction of hours of work.

“Owing to the great urgency of the matter, the Assembly is of opinion that the International Labour Organisation should pursue its work without delay, and accordingly invites the Council to request the Governing Body of the International Labour Office to consider the inclusion in the agenda of the International Labour Conference of 1930 of questions relating to hours, wages and conditions of work in coal-mines with the object of agreeing upon an international convention or conventions thereon, while in the meantime the Economic Committee will consider its final report, which, together with the interim report, will be available to the Conference referred to in this resolution.

“The Assembly further suggests that the Governing Body should consider the advisability of convening, at an early date, a preparatory technical conference consisting of representatives of the Governments, employers and workers of the principal coal-producing countries of Europe, in order to advise it as to what questions relating to conditions of employment in coal-mines might best be included in the agenda of the International Labour Conference of 1930 with a view to arriving at practical international agreement.

“The Assembly invites the Council on the one hand to consider the recommendations which the Economic Committee may formulate, as a result of the meeting of experts convened for September 30th, with regard to the difficulties at present encountered in the coal industry, in particular the fluctuations in price and the existing difference between production and consumers’ needs, and, moreover, to consider, taking into account more especially the results of the above examination, the expediency of convening a conference of the Governments concerned to study the recommendations in question.”

9. “The Assembly :

“Noting that the Economic Consultative Committee, at its session in May 1928, adopted a proposal for the institution of an enquiry into the sugar industry, and that the Economic Committee made a report to the Council on this subject in July 1929 ;

“Noting also that the Economic Committee, while awaiting the replies of Governments on the questions of the possibility of reducing excise duties, is continuing to watch developments in the sugar question so as to be able, at any moment, to advise the Council whether concerted international action would facilitate the solution of the problem under consideration ;

“Requests the Council to examine such recommendations as the Economic Committee may put forward in regard to the present difficulties in the sugar industry, especially price fluctuations and the existing disproportion between supply and demand, and to consider, having regard more particularly to the results of the above-mentioned investigation, whether it is desirable or not to summon a meeting of representatives of the Governments concerned to study these recommendations ”.

10. “The Assembly :

“Desirous of aiding as effectively as possible international economic co-operation in so important a sphere as the trade in *agricultural products* ;

“(a) Notes with satisfaction the progress made by the Sub-Committee of Experts with regard to veterinary police measures in investigating the guarantees which the countries interested might grant to international commerce, particularly as a result of the organisation of their veterinary services, and the publication of their health bulletins on the lines proposed by the experts and communicated to the Governments ;

“Expresses the desire that the Sub-Committee’s work should be actively pursued with a view to the framing of definite proposals to facilitate the export of cattle and animal products, regard being had to the interests of both exporting and importing countries ;

“(b) Draws attention to the recommendation made in the same sense by the International Economic Conference of 1927 as regards diseases in plants and, while welcoming the conclusion of the International Convention signed in April 1929 under the auspices of the International Institute of Agriculture, trusts that enquiries into the commercial aspect of the problem will be actively pursued.”

11 “(a). The Assembly :

“Notes with satisfaction the conclusion of the Convention of December 14th, 1928, on *economic statistics* and fervently hopes that a large number of States will ratify this Convention without delay ;

“Expresses the hope that effect will be given to Recommendation XI adopted by this Conference, and that the list of places of loading and unloading mentioned in this recommendation will be duly prepared and published ;

“Emphasises the value of the publications of the Economic and Financial Organisation and approves the annual publication of a general survey of the world situation as set out in *Memorandum on Production and Trade*, which is subject to the Economic Consultative Committee.”

11 “(b). The Assembly :

“Impressed by the importance of the work of the League in keeping the world informed of the progress of economic events ; and,

“Believing that, as a result of the application of the Convention relating to Economic Statistics and the Recommendations of the Statistical Conference and of the Economic Consultative Committee on this subject, the provision of improved economic information, and, in particular, of more complete statistics relating to industrial production, may confidently be expected ;

“Requests the Council to consider the possibility of arranging for the preparation of a comprehensive annual survey of economic developments in the near future and for the collection by the Economic Organisation of all the information required for this purpose.”

11 “(c). The Assembly :

“Expresses its warm appreciation of the generous offer of the Rockefeller Foundation to pay for the preparation and publication of a collection of monetary and central banking laws of the world and resolves that this collection be subsequently kept up to date by the Economic and Financial Organisation of the League of Nations.”

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ANNEX 3.

MEMORANDUM BY SIR ARTHUR SALTER : THE “UNITED STATES OF EUROPE ” IDEA.

1. The World Economic Conference of 1927 demonstrated beyond question the existence of a general, indeed universal, dissatisfaction with the tariff systems as they now exist. This dissatisfaction was due largely to the increase in level, complication and instability of post-war tariffs and to the fact that the war has created new tariff-making authorities and therefore smaller economic units.



It was also due, however, to one other fact which it is well to emphasise, viz., that the natural development of industry towards large-scale operations is constantly increasing the handicap of small economic units. Trade barriers are not only therefore worse absolutely than before the war ; but their obstructive effect on natural economic development is also greater because the advantages of development on a basis of equal opportunity in large markets are constantly increasing.

2. The policy recommended by the Conference under these conditions was the general and undiscriminating reduction of tariffs, together with their simplification and stabilisation. The method contemplated was threefold :

(a) Unilateral action : each country acting independently in the hope or with the example of other countries doing the same.

(b) Bilateral action : pairs of countries negotiating reductions on articles of special interest to themselves and extending the advantages of these reductions to other countries by virtue of the unconditional most-favoured-nation clause.

(c) Multilateral action : collective agreements being negotiated for the simultaneous removal of barriers and reduction of tariffs.

3. The result, after two years, as recognised by the Economic Consultative Committee of May last, may be briefly summarised.

The first method (unilateral action) had substantial immediate success in arresting what had hitherto been a rapid upward movement. Largely under the influence of the forces revealed and made effective by the Conference, projects involving large tariff increases were dropped or amended ; and new demands for such tariffs were discouraged. Some, though not many, actual reductions on tariffs in force were also made. Since 1927 this influence on unilateral action has become less ; it has not secured any general downward movement and, on the whole, recent increases have perhaps been more important than reductions.

The second method (bilateral action) also had a considerable success in 1927 — “the year of commercial treaties”, as the Consultative Committee of 1928 remarked — numerous and substantial reductions being negotiated and extended by virtue of the most-favoured-nation clause. After the accomplishment of 1927, it was, of course, not to be expected that there would be an equal advance in 1928, but, even allowing for this, the record of bilateral treaties in 1928 was disappointing ; the treaties of that year did not usually include tariff reductions and were often designed to secure liberty to make increases ; and this method shows no sign of giving satisfactory results now.

Multilateral action has had notable successes (subject to conventions which have been signed being ratified) as regards trade barriers other than tariffs (prohibitions, etc.), and constituted the most notable feature of 1928. But, except in the very limited and special cases of “hides, skins and bones”, it has not touched tariffs.

On the whole, the general situation is not very substantially either better or worse than in 1927, trade barriers other than tariffs being less, but tariffs, on balance, somewhat higher. The upward movement has been more or less — but even that not certainly — arrested. It has not been reversed.

4. The causes of this almost stationary — and certainly not satisfactory — situation are numerous.

All the trade barriers which the Conference sought to remove are, of course, buttressed by some private interest which has developed business under its protection.

These private interests are better organised, more vocal and more politically effective than the general public interests on the other side ; and are much more conscious of what they would stand to lose than the other business interests (such as exporting industries) on what they would gain. Exporters and industries which would certainly gain by a reduction in tariffs, even those of their own country, have been disappointingly indifferent when their support might have been decisive.

In these circumstances unilateral action has been very difficult, each country finding it politically impossible to reduce its tariffs without some assurance that other countries would do the same, and the belief in such general, though independent, action waning with the lapse of time during which no country took a decisive lead. The one great country which had given such a lead in the past was, for various political and other reasons, not in a position to do so in the first two years after the Conference. Multilateral action, in view of the enormous complexity of different systems and the differences of national situations and traditions, and the absence of a strong enough world impetus to reduce, has been deemed impossible. Bilateral action of a tariff reducing character has also been arrested for reasons which merit special consideration ; and one in particular — the operation of the unconditional most-favoured-nation clause under existing conditions.

5. The unconditional most-favoured-nation clause, long the traditional basis of British policy, now claimed by the United States of America and accepted to an increasing extent by continental nations accustomed to the principle of reciprocity, may claim great advantages. It

is designed to secure equality and undiscriminating treatment, simplicity, and the avoidance of dangerous complications and confusions of political and economic motives ; and thus of many causes of friction.

The two principles "reciprocity" and "no discrimination", logically alternatives, are, in practice, capable of conciliation under certain conditions. A country giving and claiming undiscriminating treatment can, without difficulty, secure what it asks from countries which negotiate reciprocal treaties *inter se*, if it is a free-trade or a low-tariff country. Two countries arranging reductions of special interest to each other are content to give the advantage to other countries if the latter's general policy is such as not to make the resulting situation impossibly unfair. Even though the duties are equal for other countries, the choice of the articles by the two negotiating countries gives the "reciprocity" principle a real sphere of action. But when countries, whose principle of policy forbids them either to give or accept differences in tariffs, have high tariff systems, the situation rapidly becomes impossible. When two moderate tariff countries can only negotiate reductions *inter se* if they are prepared to give these reductions to countries whose general tariff is higher than even their unreduced tariff and which give them no advantage in return, two results will follow : first, reduction by the method of bilateral agreements extended by the most-favoured-nation clause will be arrested (this we have seen in 1928); and, secondly, there will be a growing feeling that some modification in the unconditional most-favoured-nation clause is both just and necessary.

6. The American tariff has forced this difficulty into great prominence ; and it has been aggravated by other factors. The United States has become the greatest exporter, not only in total but also of industrial products. She has, within her own frontiers, the greatest natural resources and the biggest consuming market in the world. Every manufacturer can organise his business with the knowledge, that, over the whole of this market, no competitor can enjoy an advantage over himself ; he can therefore develop methods of standardisation and large scale operation impossible to those who have a similar security only as regards a much more limited market. With this advantage he can export abroad with a special advantage over competitors in other countries. The United States, moreover, has one of the highest tariff systems in the world and is increasing it. On the top of this she is one of the two largest creditors — far the largest as regards public debts ; and therefore presents herself to the world as refusing to take the goods with which other countries can alone ultimately pay them. She is succeeding in at once having more exports than imports and drawing large cash payments in respect of debts. The only possible result is an increasing American capital investment, in one form or another, in other countries. And, to many countries, this presents the aspect of increasing financial — and, indeed, political — domination.

7. In these circumstances it is intelligible, though regrettable, that the problem considered by the Conference of 1927 — viz., "How to increase world prosperity" — has been gradually, in the public mind, taking another form — viz., "How can Europe compete against America"?

As to the strength of this development there can be no question. In France, in Germany, in Spain, in Czechoslovakia, the evidence as regards not only public opinion but also official opinion is overwhelming for something that is usually called the "United States of Europe". Strong, however, as is the feeling behind such a conception, it is difficult to obtain any clear and precise definition of it. What emerges clearly is, however, that the conception usually assumes an anti-American form.

This is regrettable for many reasons. The American progress may positively injure certain special industries, especially some which are particularly conspicuous, such as the motor industry, in Europe. But it does not diminish European prosperity *absolutely* : it increases it. The investment of American capital in Europe has many advantages and its dangers are greatly exaggerated. Moreover, an attempt to meet the situation by any other method than that of increasing efficiency, and establishing the conditions that favour it, is at once doomed to failure and fraught with great political and other dangers. For every reason, the positive and constructive approach "How enable production, and therefore prosperity, to be increased by securing the necessary conditions" is the right one.

8. We are thus faced with the following position. Progress solely upon the lines recommended by the Economic Conference has been arrested. Partly due to disappointment with this, partly to other causes, we have the development of a strong force which in one aspect presses towards the removal of trade barriers and in the other contemplates discrimination in tariffs. It is at once capable of much good and fraught with certain dangers. It is too strong to ignore, and perhaps to defeat. And, even if defeated, the process might involve the waste of a force that might have been turned to a good use. The very fluidity of the idea, and the absence of a definite programme, give an opportunity. How can this be used?

9. First, what does the conception of a United States of Europe mean to those who use the phrase?

Its obvious meaning is complete free trade within Europe : a *Zollverein* of the countries of Europe. But can it be seriously believed that this is a conception that has any practicable chance of realisation as an economic policy only and in the absence of very great political changes?

*Zollvereine* have been often preached, not infrequently attempted, but *never*, I think, realised, except under the conditions of an overwhelming political motive and an extremely close political association between the countries concerned. A consideration of the principal factors involved will explain this. A *Zollverein* means a common tariff, which involves a political instrument to determine it ; it means the distribution of the proceeds to all the Member States and again, therefore, a political instrument to determine how the distribution should be made. The commercial and tariff policy of European States is so central and crucial a part of their general policy ; the receipts from Customs so central and substantial a part of their revenues, that a common political authority deciding for all Europe what tariffs should be imposed and how they should be distributed would be for every country almost as important as, or even more important than, the national Governments, and would, in effect, reduce the latter to the status of municipal authorities. In other words, the United States of Europe must be a political reality or it cannot be an economic one. This consideration is so fundamental that it seems hardly worth emphasising the fact that the main competition of every country in Europe is not with America but with other European countries ; that it was this competition and not American which was the origin of the tariffs ; and that, if the American competition and tariff are an additional obstacle to their removal — as they are — they are not the only one. The main conclusion seems certain, that, in any reasonably near future and in the absence of a political development which would be little short of a political federation of Europe, no European *Zollverein* in the full sense is conceivable.

#### 10. What, then, remains?

There remains the possibility of an association or associations between countries, in or out of Europe, for the purpose of arranging, by common agreement, for lower tariffs *inter se* than with the rest of the world, or some part of the rest of the world.

Whatever form such association might take, it involves as an essential and indispensable factor the acceptance of the principle that a country may impose different duties on the same class of article according to the country from which it is imported — *i.e.*, the principle of discrimination which it is the object of the most-favoured-nation policy to abolish.

Any such proposals may therefore be condemned in some quarters as both retrograde and dangerous. Retrograde, because great progress has recently been made in the acceptance of the principle of unconditional most-favoured-nation treatment (before the war the United States of America, since then France and other countries — so that the inclusion of such a clause is now a normal feature of commercial treaties). The World Economic Conference has exerted its influence in this direction, and this has been followed up by the Economic Consultative Committee and the Economic Committee. Dangerous, because discrimination is a fruitful source of friction ; and also because it might easily become the basis not so much of reduction but of a new upward competition of tariffs. It would, for example, be perhaps politically easier for European countries to retain otherwise their present tariffs and add on a certain percentage against non-European, or some non-European, countries than to agree upon reductions applicable to all except such countries. The dangers of resentment and retaliation on the part of the countries discriminated against, and of political friction, are obvious.

11. At the same time, before the idea is summarily dismissed, it is necessary to weigh some very important considerations on the other side.

It is true that the acceptance, in principle, of the unconditional most-favoured-nation clause has made great progress. But it is also true that that is now seriously threatened, most notably, but not solely, by the increased American tariff. Moreover, the practical effect of the clause can be, and often is, in practice, largely destroyed by various devices of classification, nomenclature, restriction, etc. In addition, the necessity of including the clause operates, as explained above, as an obstacle to reduction of duties by bilateral agreement.

Moreover, the application of the clause in its fullest sense, and without any exception whatever, cuts away the very basis on which multilateral conventions are negotiated. Why should a country attend a Conference and subject itself to the process of reciprocal concession if, by standing outside, it can, without obligations to itself, enjoy the full fruits of a convention made by the concessions of others? The Imports and Exports Prohibitions Convention may be cited as an instance of this.

The Economic Committee has recognised this difficulty and devoted a great deal of attention to the subject with the result that it agrees that a "reservation in plurilateral conventions may appear in some cases legitimate", but that "it can only be justified in the case of plurilateral conventions of a general character and aiming at the improvement of economic relations between peoples".

This exception was probably not intended, at least by all the members, to cover such proposals as are now under consideration, but it contains a principle which may possibly be useful in examining them, and may well be taken as a starting point.

We must also face seriously the great difficulties in the way of securing reduction of tariffs by methods which exclude altogether any discrimination.

We have tried for two years the methods contemplated by the Economic Conference, with the results summarised above.

If general and undiscriminating reduction gives no satisfactory results, the only alternative method is working up to it by more local and geographically restricted action which, by definition, implies at least temporary discrimination.

Under the existing doctrine this can only be done in two ways : local *Zollvereine* (in the full sense) can be created ; they do not involve a breach in the most-favoured-nation clauses. Some such agreements have been attempted : e.g., Latvia and Estonia ; but none have succeeded. The reasons given in paragraph 9 show why it is unlikely that any success — or any beyond the most narrow limits and in exceptional circumstances — will be achieved.

Secondly, in special cases, agreement might be negotiated not only between the countries to be directly associated but those against whom the higher tariff would operate. An attempt was made in the Treaty of St. Germain to secure a temporary arrangement applying to the new succession States. It was a dead letter. A prolonged attempt was made to revive it later, in connection with the special economic troubles of Austria. This also failed, after giving a vivid and convincing illustration of the difficulties of this method.

There remains no method for the League to advocate except that which involves, in some form or another, the acceptance of the principle that some countries may, under certain conditions, properly refuse, with the support of League authority, the application of the unconditional most-favoured-nation clause as at present framed and interpreted.

12. We must therefore examine whether there are any conditions which could, without rendering effective concerted reduction by this method impossible, so reduce the dangers as to justify the League in supporting such a policy. The best method will be to try to imagine a scheme, with such safeguarding conditions, and the steps by which we might attempt to work towards it.

Such an attempt is made below not with the object of advocating the adoption of a particular scheme but in order to afford a concrete basis for considering whether working towards the removal of barriers by some form of local grouping is practicable and desirable, and whether, therefore, the League should encourage a procedure leading to that end.

As each feature, or condition, or step in procedure is mentioned, the reader can ask himself : Is this practicable? What dangers is it intended to avert? — and, at the end, he will perhaps be in a better position to judge whether it is desirable to take the first step.

13. Subject to this, let us imagine the following procedure :

#### *Procedure.*

(a) The proposal might be launched on the highest political plane by speeches at an Assembly of the League, e.g., by M. Briand responded to by Dr. Stresemann, and presented from the first as a counterpart of, and a contribution to, a developing political *rapprochement*. Such speeches would doubtless not include anything in the nature of a scheme. But they might suggest some of the principles noted above as averting, or mitigating, some of the worst dangers and suspicions.

(b) Resolutions might follow instructing the Economic Organisation, in view of the natural tendency of industry to develop on a basis of large-scale production, which requires secure and free entry into large markets, and of the consequent handicap to smaller economic units, to consider the best practical measures for the enlargement of these units, and to prepare the basis for a general Conference to be held, by a date to be specified, for the adoption of such measures.

This approach has the advantage of suggesting the constructive and inoffensive aspect of the conception. Its defect is that it is too vague. Somewhat less vague, but also rather less inoffensive, would be such a formula as “to examine the special difficulties that arise from the great difference in size and importance of existing economic units and consider the best practical measures for overcoming them”, and the rest as before.

(c) This procedure is, however, not enough in itself ; for any proposals involving such a transformation in the political conception and commercial policies of European countries, a procedure including from the first, and at appropriate stages throughout, the actual political forces of the countries concerned would be essential.

Responsible, authoritative, but unofficial opinion has shown its power, and the limits of its powers, at the World Economic Conference. The Economic Consultative Committee continues its work with the same kind of advantages and limits. The Economic Committee, in view of its composition, incorporates official authority (in fact if not in form) within the limits of such major conceptions of policy as exist, but it is incapable by itself of transforming them. While, therefore, a great part of the work of preparation can be done by the existing authorities, it will be necessary to supplement them, during the period of preparation, by the association of the actual responsible Ministers (sometimes the Ministers for Commerce, sometimes for Agriculture, but sometimes, also,

the Foreign Ministers, or even the Prime Ministers, or some combination of these); and the Conference itself must not take place until these preliminary meetings offer a prospect of success, whether upon the lines of the above conception or upon others.

If these meetings should demonstrate the impracticability of any such conception they may, by that very fact, prepare the way for practical and effective action along the lines contemplated by the World Economic Conference.

But whatever the ultimate solution, experience suggests the extreme improbability of results being secured until the appropriate Ministers (including the Ministers for Commerce, but not these alone) are brought into as direct and regular contact with international economic problems and with each other as Foreign Ministers are within the purely political sphere.

14. It will now be well, subject to the remarks in paragraph 12, to try to imagine the kind of scheme which might emerge.

#### *Scheme suggested for Discussion.*

(a) The motivation might be that: "In view of the natural tendency of industry to develop on a basis of large-scale production, which cannot be organised except with secure and equal opportunity in markets much larger than those comprised within the political frontiers of many or most States, the contracting States desire to remove the obstacles which at present obstruct such natural development by concerted action; that with this object they are forming an association to promote greater and freer economic intercourse, and to secure the substantial, progressive and, if possible, complete removal of economic barriers *inter se*".

It must be made clear that the object is to encourage not cartels or monopolies but security of equal opportunity. The advantage which Ford has over Morris or Fiat is not monopoly (he has the fiercest competition with other American manufacturers) but an assurance that over a large market, and not a small one, he will not be subject to a tariff handicap.

(b) As a starting-point and basis for the proposed League support of an exception to the full unconditional most-favoured-nation treatment the formula of the Economic Committee, quoted in paragraph 11 above, might be taken, viz., a reservation "can only be justified in the case of plurilateral conventions of a general character and aiming at the improvement of economic relations between peoples".

(c) As a preliminary step, all negotiating States might begin with an undertaking not to make any increases in their tariffs (absolutely as applying to the negotiating States and also as regards other States, unless these States themselves make such increases as, in the opinion of an impartial authority (*e.g.*, a League Committee), to create a new situation justifying a departure from the general rule) for a period sufficient to complete the negotiations — say, three years.

(d) Negotiations for reduction within the association might be based on the following principles:

No increases in any existing duties of the contracting States;

Classification of present tariff systems (subject to the principles suggested below), into, say, three categories: high, medium, low;

Reduction in general level of all these systems, but a greater reduction in the higher than the medium, and in the medium than in the low;

The normal method to be fixed percentage reductions (high, medium, low) for stated periods;

These percentages to be increased progressively with a view to ultimately so reducing the tariffs that complete abolition would be easy;

(It is possible that the first "ideal" should be equality of all tariffs within the association, not abolition. Such an ideal would involve half the difficulties of a *Zollverein*, *i.e.*, the determination of the tariffs, but not the other half, *viz.*, distribution.)

The percentage reduction method should, however, not be employed alone. It should be combined with an analysis of the tariffs with a view to (1) the elimination, in whole or in part, from the operation of the automatic reduction of fiscal duties, with little or no protective effect (*i.e.*, duties on articles not produced in the country or those which have a corresponding excise) and (2) the complete abolition of duties which are most clearly injurious to the general economy of the countries now imposing them (*i.e.*, duties on industries based on no material resources, or experience, or special advantages within the country) and of dead and useless duties which discourage consumption rather than encourage production.

The scheme might also provide for the provisional exemption from the percentage system of reduction of (1) very low tariff systems, till the level of others has been substantially reduced, and (2) of specially low duties on particular categories of articles which may be found in tariff systems whose general level is not exceptionally low.

The most complete and unrestricted application of the most-favoured-nation clause as between the States in the association, based upon the standard nomenclature and classification now being worked out.

(e) The association should always be open on equal terms to all countries of all continents to join, if and when they wish.

(f) Countries not entering the association to be treated equitably.

This to be understood as involving the following principles :

Countries recognised as having a general level of tariff lower than that of the lowest group within the association to be given the advantage of unconditional most-favoured-nation treatment, though not in the association and though not obliged to have a higher tariff against those outside than those inside.

Tariffs not to be raised above the existing level or some new agreed standard not on the whole higher than the present — as against the countries outside the association, subject to the condition defined in (c) above.

15. It is necessary to mention in addition that two other questions of principle of importance are likely to be raised and pressed strongly by certain countries (*e.g.*, Italy), viz., the freedom of movement of men as a corollary to freedom of goods, and the extension of any obligation assumed by the contracting States to their colonies. In the latter connection, it must be observed that the distinction between dependent colonies and self-governing dominions is not so familiar to other countries as it is to Great Britain, and that, even within the British Empire, there are intermediate systems. Freedom in the movement of capital may also be raised.

16. The enumeration of possible conditions of League support for an association involving differential tariffs will at least have served the purpose of showing the intricacy of the whole problem, suggesting as it does the difficulty in securing the conditions, and the dangers which would result from their omission.

17. There is one other general consideration that should be mentioned. It is obvious that, even if the conditions suggested were secured, the reaction of a country outside, particularly the United States of America, might be simply the direct and unqualified resentment against the first practical effect upon itself, *i.e.*, a higher tariff than that applied within the association. This might be such as to prevent any attempt at sympathetic understanding of the other wider objects of the proposals. Retaliation and political friction of the most serious kind might result. It is obvious therefore that elaborate and very careful preparation and presentation are essential.

But, with this, it would perhaps be not impossible to obtain a sympathetic acceptance of a proposal designed to secure what, at the maximum, would be the creation of an economic unit equal to that already achieved by the United States of America. For the maximum possible inclusion of countries in an association would not be likely to give a market with larger consuming capacity than that of the United States. (The actual spending capacity of the 400 millions of Europe is probably not greater than that of the 120 millions of the United States.)

18. The difficulties, then, are great and obvious enough. But the alternatives to action on these lines are at least equally discouraging, and the impetus towards action is great and increasing.

It is in these conditions that the decision must be taken as to whether action is to be attempted.

There is this at least to be said in its favour. The actual process of negotiation, if such a procedure involving the direct association of the appropriate Ministers is adopted, would give an education in the principal factors of world commercial policy more effective to the actual authorities who control action than anything which the League is now doing.

It becomes more and more doubtful whether action within restricted limits and through our existing committees alone can secure great results, and more and more certain that a more direct association — over a long period of prior preparation — of responsible Ministers is essential if we are to hope for a real transformation of the present position. And if it is true that a large measure of economic *rapprochement* can only come as a counterpart of political *rapprochement*, that is no reason for waiting before making a beginning. Each can obviously help the other, and an advance on either line would mean advance on both.



ANNEX 4.

MEMORANDUM BY M. STOPPANI RELATING TO THE IDEA OF A COLLECTIVE AGREEMENT TO IMPROVE THE ORGANISATION OF INTERNATIONAL ECONOMIC RELATIONS IN EUROPE.

[Translation.]

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I. THE IDEA OF EUROPEAN ECONOMIC SOLIDARITY.

- (a) *From the Point of View of Peace ;*
- (b) *From the Point of View of the Material Welfare of Nations.*

For some time past, a feeling has been growing up in Europe that a better economic organisation of the old continent is urgently needed. This movement takes the most various forms, according to the circles from which it emanates. In some cases it assumes an essentially political character; in others, on the contrary, it takes the form of a rationalisation of European economic life.

However that may be, a very complex common sentiment underlies these different conceptions.

European producers, who are ill at ease within the boundaries of a continent which seems to them over-populated — perhaps only because it is poor — realise their economic and financial weakness as compared with other better organised communities, such as the United States of America.

They feel confusedly that the territorial division of Europe into small fractions, aggravated by a network of ill-co-ordinated national measures, places them in a position of inferiority by preventing them from applying, for the lack of a sufficiently wide market, the rational methods of large-scale production.

The sudden irruption into their markets, which they have endeavoured to protect in every way, of American products displaying a superior technique, profoundly impresses them, gives them food for reflection, fills them with misgivings for the future, and leads them to enquire whether the methods hitherto followed, or even a complete return to pre-war conditions, can suffice to give once more to a Europe which is more subdivided than ever, the position and prosperity to which she believes herself entitled.

This state of affairs is naturally engaging the attention of the Governments responsible. Quite recently the Foreign Ministers of two large European countries have pronounced in favour of an attempt to effect the economic reorganisation of Europe, and their speeches, inspired with the deepest conviction, although vague as to details, were immediately interpreted and summarised into the seductive phrase of "United States of Europe".

Such general formulæ, while polarising ideas in a particular direction, have the grave fault of giving birth to all kinds of idealised constructions, so far exceeding their authors' intentions, and assuming such exaggerated proportions, that they cannot fail to provoke a reaction. These confused and passionate controversies around an idea which is vague and which everyone interprets in his own way are liable to compromise from the outset any possibility of practical results. Assuming, for lack of precision, excessive proportions, the idea runs the risk of being combated and rejected as a whole, without any attempt having been made to isolate and define those parts of it which might perhaps be practicable.

We consider therefore that serious effort should be made to reduce this general formula to more modest proportions capable of providing a reasonable basis of discussion.

Let us from the outset renounce any idea of political reorganisation, and strictly limit the discussion to the economic sphere. This is a limitation of very great importance, since it allows us to take a firm stand on the principles of integral sovereignty and national independence.

The idea having thus been circumscribed, we must now go on to examine it from the two points of view which must engage our attention : that of the maintenance of peace, and that of the material welfare of nations.

(a) *From the Point of View of Peace.*

Ten years have elapsed since the conclusion of peace, without the aggressive spirit of war time having, however, completely disappeared. The territorial settlements effected by the treaties of peace, while satisfying the just and secular aspirations of certain nationalities, have inflicted on others wounds which are healing but slowly and with difficulty. The efforts made with a view to disarmament and the adoption of arbitration only seem likely to be crowned with complete success to the extent that the different peoples of Europe can acquire a feeling of security capable of creating mutual confidence.

But, as a sign of a new era, the League of Nations constitutes a rallying-point, and the dimly felt aspiration towards a better future appears to display itself in the eagerness with which nations bring to it their quarrels and complaints.

In these circumstances, it seems natural to enquire whether, apart from political questions too burning to be energetically faced, there is not another direction in which efforts can be made to create a favourable environment for the birth and maintenance of peace.

Care should be taken not to exaggerate the influence of economic questions as a factor of peace or war. The experience of the immediate past has shown that in times of crisis the psychology of the masses is determined by the tumult of passions rather than by purely material considerations.

Nevertheless it appears certain that, particularly during the periods of calm — which are fortunately longer and more frequent — closer economic co-operation and more numerous and intimate ties of interest would constitute a powerful means of avoiding just those psychological crises which lead to precipitate decisions and would provide an opportunity for the voice of reason to be heard.

There can be no doubt that, if the nationals of any country of Europe were in the habit of conducting business at any point of the continent in the same way as they would conduct it in their own countries, the result would be that, in the course of years, so dense and entangled a network of financial and economic ties, and so strong a material solidarity would grow up, that all would be naturally interested in the maintenance of peace as the most propitious field for the development of their activities and the satisfaction of their needs.

In this way millions of individual wills would have been recruited which, when the time came, would naturally lean towards the seeking of peaceful solutions.

"Last, but not least", in an atmosphere of this kind it would certainly be easier, in cases of dispute, for European statesmen to seek reasonable solutions calmly, without being constantly harassed and incited by an agitated public opinion, and without being exposed to the accusation of lacking patriotism when they endeavour, in all sincerity, to avoid conflicts which would be equally prejudicial to all parties.

In conclusion, and apart from unforeseen circumstances, there seems little doubt that a much closer economic co-operation between the nations of Europe would constitute — provided of

course that every country could enjoy its benefits equally — a powerful instrument for pacification, for the elimination of causes of friction and, in a word, for the maintenance of peace.

(b) *From the Point of View of the Material Welfare of Nations.*

1. The superiority of a large economic unit over an agglomeration of separate units, some of which are considerable but the majority of which are small and even diminutive, is indisputable.

The difference between these two states of affairs would have been hardly noticed a hundred years ago, in an epoch which knew neither our means of industrial production nor our means of transport.

To-day, it commands the attention of all, if only in the form of a comparison with the United States of America. And this comparison — whatever objections may be raised against the analogy which it assumes — has an almost irresistible persuasiveness.

But, when we attempt to describe what Europe — or even a part of Europe — might become in fifty years' time if the peoples which inhabit it would cease fighting against each other in the economic sphere, we encounter an almost insurmountable difficulty.

In making this description, we cannot base ourselves on figures or facts, on anything which is or has been. We have no precedent to guide us, and however reasonable the hypotheses we might put forward, they would be open to the reproach of being the outcome of imagination rather than of observation.

And yet, it is only from some realisation of the economic power which might be attained by a great European market that we can derive sufficient resolution to pursue our way towards this necessarily very distant aim.

The difficulties of the present time are not sufficient in themselves to give us this determination. After all, we find that things are going more or less tolerably ; difficulties are not the same, nor equally great, in the different countries of our continent ; and statistics even give us, from time to time, moderately encouraging results. But it is important not to mistake the reason for which things are not going too badly.

Human activities fortunately find a way of carrying on even in the most unfavourable conditions. However many obstacles we may pile up, international trade, like the running water which overflows from a thousand streams, always finds a way through.

But let us try to imagine what this great creative and multiple energy would accomplish if it could be exerted without hindrance over the whole extent of a great economic territory.

2. It was not until the peoples had repaired the more serious damage caused by the war that they discovered that simply to return to the position of 1913 was to go back and not forward. Thereafter they also observed that, apart from the immediate consequences of the war, something had changed in the very basis of the economic life of Europe, and that this change had every appearance of being permanent.

The following is the passage referring to this point in the final report of the International Economic Conference :

“The passing away of temporary financial and economic difficulties, which since the war have almost monopolised public attention, now enables us to see more clearly these deeply rooted changes in the economic situation of the world. It is hopeless to try to solve such problems by striving after the conditions of 1913. In the face of a new situation, new remedies must be found.”

The chief of the permanent changes to which the Conference alluded were the following :

- (a) The burdens of war debts, reparations and pensions ;
- (b) The passage of Europe from the position of creditor to that of debtor ;
- (c) The stoppage, or restriction, of emigration ;
- (d) The industrialisation (which had begun before the war and had no reason for not continuing) of the overseas countries which formerly absorbed large quantities of European industrial products ;
- (e) The over-development, owing to the war, of the factors of production : multiplication of factories, increased plant, capital invested and the urgent necessity of utilising all these forces to prevent enormous losses and unemployment ;
- (f) Lastly, the intensification of economic nationalism and the desire to be self-sufficient and self-dependent and thus to be ready for every eventuality.

But, with a natural desire to be universal, the Economic Conference refrained from laying special emphasis on the situation of Europe. To its observations we must therefore add two or three more which seem to us essential for the purposes of the present Memorandum.

(i) The policy of isolation by means of Customs barriers has always been accompanied in Europe by a policy of economy and of voluntary restriction of consumption. This was quite natural, and a policy of sacrifice is necessary when it is desired to escape from a position of danger.

(ii) But, now that the most immediate dangers have been averted, the producers and workers of Europe are asking themselves whether they are really destined to remain always at a much lower standard of life than that of the producers and workers of the only country which can economically and intellectually rival Europe. They are asking themselves whether the policy of the restriction of needs is in the long run a good one.

(iii) From the economic point of view, no hesitation seems possible. In the long run, it is in the raising of the standard of life, in the uninterrupted ascent of the classes and in the

multiplication of needs and of the means of satisfying them that lies the only possible hope for a durable economic revival of Europe.

(iv) But, in order to sell more, people must be able to buy more. Producers need buyers ; national production needs markets. Two large external markets, however, China and Russia, have ceased for the moment to provide outlets. A third, that of the United States of America, places increasingly high Customs barriers in the way of importers. And yet, is this the most serious aspect of the situation? It seems, on the contrary, that the principal cause of depression must be sought in the fact that *Europe's principal market is Europe herself, and that this very market has only very limited purchasing power and cannot develop as it should owing to its excessive subdivision.*

(v) It is necessary to emphasise the accuracy and importance of the above statement. Is it realised, for example, that, in 1928, Great Britain absorbed two and a-half times as many French goods as the United States, Belgium considerably more than twice as many, Germany nearly twice as many, while even little Switzerland took as many French goods as the enormous market of 120 million inhabitants with their high standard of living who people the United States of America? We do not want to hazard ourselves in the domain of figures. They have but to be examined for it to be obvious that the first remedy for the lack of outlets for European production is to be sought in Europe itself.

(vi) Lastly, the limited dimensions of national markets in Europe are in essential contradiction with the technical necessities of mass industrial production. They form perhaps the most redoubtable obstacle to rationalisation, *i.e.*, to the possibility of producing better and cheaper without lowering the standard of living of the workers. We need not here undertake to prove a truth of which everyone is convinced.

## II. IN WHAT CONDITIONS CAN THE FORMATION OF A GREAT EUROPEAN MARKET BE CONTEMPLATED?

Both from the point of view of the maintenance of peace, and from that of the material welfare of the nations, it may be asserted that the formation of a great European market would be of immense value. We must now examine whether this desire is practicable :

- (a) Without introducing violent disturbances into the different national economics, by making too abrupt changes ;
- (b) Without the necessary process taking place to the advantage of some European countries and to the detriment of others ;
- (c) Without the closer relations between European countries, or some of them, assuming a character of antagonism against other continents or other nations ;
- (d) Without departing from the principles of equitable treatment of commerce in relations with all extra-European nations ;
- (e) Without departing from the methods which the experience of centuries has shown to be effective in the settlement of international economic relations.

As we do not wish to put forward a purely idealist scheme, the remainder of the present Memorandum proposes, not to solve all the questions raised, but simply to suggest a few preliminary questions and thus contribute towards throwing light on, and marshalling the different factors of, the problem.

In the following chapters the expression "Pact of Economic Solidarity" will frequently recur. We had no special motive in choosing this formula. In the present Memorandum it is simply adopted to indicate, without long and unnecessary circumlocution, the fundamental idea of an agreement with a view to progressive economic *rapprochement* between the countries of Europe.

## III. PRELIMINARY CONDITIONS.

### (a) *Separation of the Economic and Political Spheres.*

It is possible that a time may come when, thanks to closer and more frequent relations, it may even be possible to contemplate political ties different from those which at present exist between the States of Europe. But, by relating at the outset a conception of this kind to the much simpler conception of intensifying commercial exchange, we should perhaps run the risk of compromising the result which it is hoped to attain. It would therefore seem advisable to place foremost among the preliminary conditions the principle that the "Pact of Economic Solidarity" should never infringe the political sovereignty and independence of the States taking part, nor their freedom of action in all spheres other than economic. Thus delimited, the subject-matter of the pact would not be very different from that which countries normally settle by means of bilateral commercial treaties.

This would naturally not preclude the adoption of arbitration clauses or procedures of friendly conciliation whenever this might seem possible.

### (b) *Responsibility of Governments.*

The action contemplated should be taken by the responsible public authorities. It could hardly be left to the private initiative of those concerned. There are only two sorts of economic negotiations ; those which mainly tend to attain immediate advantages, and those intended to settle future relations a long way ahead.

The short-term commercial treaties concluded after the war belong to the first category ; while the "Pact of Economic Solidarity" belongs to the second.

The first method answers to the mentality of the business man ; and the second to the mentality of the statesman.

The business man must, first of all, give his attention to the efficient operation of his industry ; this is his primary duty. His chief preoccupation must be to avoid losses and secure as rapid advantages as possible. It would therefore not be very reasonable to ask him to make immediate sacrifices for the benefit of a programme necessarily lasting over a long period of years. This, on the other hand, is the rôle of Governments ; they alone can balance the sacrifices of the present against the advantages of the future.

Moreover, the representatives of a branch of production, however important it may be, only have at their disposal a limited material for negotiation. The State, on the other hand, even when the national economy is a restricted one, operates with varied economic material in which it finds many more elements of bargaining in dealings with other States.

Having said this, we hasten to add that we do not attach any absolute value to the distinction we have just made. The modern world possesses many business leaders capable of a general conspectus of the situation and capable of rising superior to the limited conditions of their daily activities. These chiefs will no doubt be extremely valuable auxiliaries. But if States, as such, are not firmly resolved to progress towards the constitution — event at a distant date — of a true economic solidarity, and are therefore not firmly determined to make certain necessary sacrifices to this end, albeit with prudence and by stages, it will be unreasonable to hope that those directly concerned can take the place of the Governments in a task covering so long a period.

#### (c) *International Industrial Agreements.*

International industrial agreements are often represented as being the best natural method of bringing about the lowering of Customs barriers. It has even been maintained that it was useless for Governments to deal with this problem, since industrialists might be expected to settle internationally their conditions of production, and once this settlement had been reached, barriers would no longer have any *raison d'être* and would fall of their own accord.

For a proper understanding of the question, it seems essential to bring back this conception to a perspective better answering to the reality.

Industrialists, being essentially practical men, do not, of course, wait for barriers to be lowered before concluding their international agreements. They make them as a rule across these barriers, regarding the existing Customs duties as a factor in their calculations. Often, indeed, it is the existence of the Customs duty which creates the pre-requisite conditions for the agreement.

One of the most widespread types of industrial agreement is that which tends to reserve the home market for the home industry. This type of agreement, if effective, makes duties on importation into the States concerned quite unnecessary, since importation does not take place, or only to an extremely limited extent. According to the idea outlined above, these Customs duties have therefore become useless and should lapse. Even the members of the agreement seem to have no interest in their retention since they are not applied.

Why is it, then, that any attempt to abolish or reduce this atrophied Customs duty generally encounters the most determined opposition on the part of the members of the international industrial agreement? The reason is clear. The Customs duty has played a part in the construction of the agreement, and continues to do so even if it is not applied, being a factor in the situation of mutual equilibrium on which the agreement is based and a guarantee against any disposition on the part of a member of the agreement to withdraw, to resume his freedom of action, and to compete with the others on their own ground.

Interesting cases have, moreover, occurred in which an agreement between industrialists and an agreement between States (commercial treaty) have admirably supplemented each other. These examples clearly illustrate the powerful assistance which the elastic and mobile mechanism of the *ententes* might furnish in tiding over the periods of transition leading towards the goal of economic solidarity.

The different branches of production will then find in the system of agreements an extremely ingenious method of facilitating the necessary adjustments.

The preliminary condition remains, however, that the Governments should be firmly determined to progress in this direction.

Furthermore, without in any way underestimating the importance of these agreements, it should be remembered that, as a rule, they only apply to certain articles — though of great importance — produced in bulk, and in regard to which the finishing processes are comparatively limited.

If it be added that agriculture has hitherto remained completely outside the sphere of these agreements, it will be realised that the majority of producing and transforming activities are outside the scope of industrial agreements.

#### (d) *Limitations of Technique.*

It may be added, finally, that the experience of the post-war period, which has been so prolific in "committees of experts", proves that technique is an indispensable auxiliary. The consultation of technical experts is a practical, elastic, and generally successful method of discovering solutions. But experience also proves that technique supplies a solution only when a definite course is set, and when the driving power comes from above.

### IV. THE "PACT OF ECONOMIC SOLIDARITY."

The above considerations bring us to the question whether any action, the ultimate aim of which would be to knit the various economic units together, should be undertaken before the

conclusion of a general pact, signed by Governments and ratified by parliaments, in which the contracting States would affirm their intention of achieving economic solidarity through collective action, and assuming the responsibilities which such a decision would involve, even though the actual process would be prudent and gradual.

Unless the various countries resolutely affirm such an intention, it is doubtful, in the light of past experience, whether technical negotiations could ever produce positive results.

The following chapters set out certain considerations regarding the geographical area to which such an agreement should apply, and the contents of the agreement itself.

## V. GEOGRAPHY OF A "PACT OF ECONOMIC SOLIDARITY" WITHIN THE FRAMEWORK OF THE EQUITABLE TREATMENT OF COMMERCE.

### (a) *Attitude of the States of Europe varying with their Economic Development.*

Supposing it were possible, by concerted action, to abolish all barriers between European countries, what countries would benefit most?

Mainly, in all probability, the countries which have long since attained what may be termed the "stage of varied production", and which have all attained, roughly, the same level of economic expansion.

For these States which, in addition to agriculture, possess all, or almost all, the most important branches of the transforming industries, it may be assumed that Customs duties intended for the generation or "hot-house forcing" of certain industries (*Erziehungszölle*: protection for infant industries) have lost at least some of their importance.

As a matter of fact, the barriers which these countries maintain against each other finally tend to produce a sort of stalemate; they cease to be of much use, though they burden consumers with an increase in prices. The advantages of a wide market for these highly-developed States are as immense as they are obvious, for such a market would provide their industries with that basis which modern technique requires.

Even between these countries, however, there exist certain differences of evolution which will have to be taken into account.

But there are, in Europe, other countries in which agriculture predominates: in these territories the multiple forms of industrial production have not all, as yet, begun to develop. This second category of States might be afraid lest the arrangement outlined in the present memorandum should, by crystallising the present situation, arrest their industrial progress.

This is a fact which must be faced, even though such fears would not seem to be entirely justified when regarded objectively and from a strictly economic standpoint.

It is far more likely that, under the stimulating influence of a large market, private initiative freed from its fetters and capital at liberty to betake itself whither it can best be employed would soon industrialise even those countries which are now vainly endeavouring to achieve this end with their own limited resources, and would also develop therein the natural wealth which, at present, is lying idle. But, we repeat, such objections will have to be faced, since there is no more agonising thought for a country of but slight economic development than the fear that its industrial progress may be checked, particularly as such a fear arises out of deep-rooted national sentiment.

### (b) *Is the Problem of the Geographical Limits of a "Pact of Economic Solidarity" Inevitable?*

In the light of the above considerations, it would seem that the geographical area to be covered by an agreement should be limited not merely to European countries but even — at any rate in the first stage — to certain European countries only.

We think it necessary to state at this juncture that the question of the area to which the pact should apply, *i.e.*, the question as to what countries within Europe or outside Europe might accede thereto, does not arise as a definite problem.

It is quite true that if the pact is to attain its purpose, it must obtain a minimum number of accessions; but it will be for the participating States to decide whether the indispensable minimum has been reached. It would be not only useless to endeavour to determine beforehand whether some particular State should, or should not, adhere to the pact: it would be inopportune — if not absolutely unwise — to do so. This question might raise very delicate problems of international policy, the discussion of which would endanger the undertaking from the outset.

It is highly important that such difficulties should be avoided and we think they could be avoided if, instead of indulging in arbitrary conjecture or political juggling, all efforts were concentrated on the practical objective concepts which, after long experience, now govern the delicate mechanism of international trade. All political concepts should be rigorously excluded. If we take up our stand on this solid ground, these international problems will appear far less insoluble.

### (c) *Equitable Treatment.*

The idea of European economic solidarity is the result of the chronic weaknesses peculiar to Europe: were there no other countries at all in the world, the problem would still exist for Europe. This does not, however, necessarily mean that there should be any geographical limit to the number of countries co-operating in the work. On the contrary, it would seem to be indispensable that the linking-up process should proceed on ordinary commercial lines and that, from the point of view of all countries, such evolution should occur within that general body of ideas known as the equitable treatment of commerce.



Consequently any such agreement should be accessible to all nations. At the outset probably none but European countries would wish to participate ; possibly only certain European countries would decide to become parties.

It is mainly in Europe that the various nations, confined within relatively limited territories, are crowded together in involuntary promiscuity like the inhabitants of a great city. It is natural and normal that these nations should be the first to endeavour, by means of a collective agreement, to react against the drawbacks of this situation.

Countries outside Europe possessing immense undeveloped territories and more "elbow room", would in all probability see no immediate gain in becoming parties to the new combination. Some, which are highly industrialised, would feel that the protection of their home market was a matter of greater importance than any advantages which accession to such an agreement could procure for their exports. Others, still in the first stages of their industrial development, might fear that, if they opened their frontiers to highly industrialised countries, their own industrial development would remain stunted and incomplete. If any non-European States desired to co-operate, Europe would be the first to congratulate itself, since the market would be still further widened, and the benefits of economic solidarity still further increased.

In any case, it seems to be absolutely necessary to declare from the outset that the "Pact of Economic Solidarity" would be open to every country prepared to subscribe to its provisions.

It would also be necessary to state that, whatever arrangements they may come to between themselves, the States parties to the pact would grant to other States the benefit of the equitable treatment of commerce according to present international custom, and would be prepared at any time to grant even the benefits of their own internal system to any State which offered them equivalent benefits, without it being necessary for such other State to adhere formally to the agreement.

(d) *Great Britain.*

Thus what is known as the "problem of Great Britain" would be solved — because it would not arise. England at present has a Customs tariff which, in spite of the safeguarding duties, is still one of the lowest in the world. If she were to revert to the purely fiscal tariff she still applied a few years ago, the parties to the pact would be morally bound to recognise that England, by her entirely autonomous decision, was granting them advantages such as would undoubtedly entitle her to enjoy any concessions which the States parties accorded to each other. Why in these circumstances should they dream of subordinating their concessions to the accession or non-accession of England to the pact? On this point they would surely not disown the fundamental principle of equitable treatment : which consists in compensation for equivalent benefits and the application of fair reciprocity.

The traditions of international trade here indicate the path to be followed, and thanks to these traditions England would no longer be called upon to make a fateful choice between Europe and the Empire.

It is obvious that both Great Britain and any third State accorded the benefit of the internal régime should undertake certain obligations (certificates of origin) to prevent the advantages of this treatment from being unduly extended to the products of third States which do not grant equivalent privileges.

(e) *The United States of America.*

The United States of America — a powerful economic unit which has adopted a highly protective policy — rightly claims equality of treatment. Every European nation, large or small — although they are all small compared with the United States — is obliged to accord the United States the most favourable treatment granted by it to any other nation whatsoever, even if this latter is situated at a few hours' distance and is, notwithstanding the limited area of its territory, a larger buyer than the United States.

Those nations, crowded together on the old continent, are obliged, notwithstanding the national sentiment by which they are inspired, to conclude commercial treaties among themselves ; under each of these treaties, their tariffs are reduced to some extent. The United States automatically enjoys the benefit of all these reductions, while its protective tariff remains unchanged or is even raised.

So long as there are no agreements among European countries for the purpose of converting them into a sort of community, the United States of America cannot be blamed for claiming this equality of treatment. In law, the ties between France and Belgium, between Austria and Czechoslovakia, are in no wise different from those existing between each of those countries and the United States, but this equality *de jure* has become an inequality *de facto*. The realisation of this state of affairs has caused public opinion to clamour for the revision of the American tariff now before the Senate ; for the same reason, the vague desire for a closer union between the countries of Europe has now become very much more definite.

We regret this fact and deplore this argument. In our opinion, as we have already stated, the reasons for an economic *rapprochement* between the countries of Europe should be sought for in Europe itself.

Nevertheless, if we are asked what would be the attitude of the States acceding to the pact towards the United States of America, we can only reply that this would be the normal attitude and that the principle of equitable treatment would be applied, that is to say, those States would at all times be ready to grant the United States the benefits which they accord to each other, in return for equivalent advantages.

Like all other countries, the United States has recognised the existence of special geographical and ethnical bonds in certain groups of countries, and has, for this reason, agreed to an exception being made to the most-favoured-nation clause. We need only mention the Scandinavian clause, the Baltic clause, the Ibero-American clause.

Is it possible to deny that special geographical bonds exist between the highly-industrialised European countries with a large population which is massed together in the western part of the continent?

The American people is too generous to desire, on the basis of legal arguments, to place obstacles in the way of the recovery of Europe, or to make it difficult for the European nations to do what the United States, thanks to its particularly fortunate history, was able to do long ago : to put their house in order.

The American people is too intelligent and too practical not to be aware that the recovery of the purchasing power of Europe would be of immense advantage to its exporters, and not to foresee the possibility of establishing in future still closer commercial links than those which now exist, with a European market of infinitely greater importance than it is at the present time.

Moreover, nothing would actually be changed for the United States in the present Customs régime.

Would the European States ever think for one moment of claiming for themselves the benefit of facilities which the State of Ohio might one day grant to the State of Indiana? However strange it may seem, the question presents itself in this form.

(f) *Summary.*

It is thus possible to conceive of a pact which would ensure, even to the countries remaining outside it, more favourable treatment than the present régime :

- (a) Because it would be open to all ;
- (b) Because it would not lead to barriers being raised against foreign countries ;
- (c) Because, by increasing purchasing power, it would likewise increase the possibility of purchasing goods from third States ;
- (d) Because every third State could obtain the benefits of the internal régime, on the sole condition of reciprocity.

## VI. THE MOST-FAVOURÉD-NATION CLAUSE.

If we wish to translate the ideas set forth in the preceding chapter into the current phraseology used in inter-State treaties, we need only refer to a report, based on a profound knowledge of international trade conditions, which the Economic Committee drew up on the connection between bilateral agreements founded on the most-favoured-nation clause and plurilateral economic conventions concluded under the auspices of the League of Nations.

The "Pact of Economic Solidarity" is indeed a plurilateral convention, and it may be said that all States likely to accede thereto certainly have commercial treaties with third States based on most-favoured-nation treatment. Further, they no doubt have every intention of continuing to grant such treatment so far as this is in harmony with the particular plan which they desire should be applied between them.

The question as to whether States parties to a plurilateral agreement would, in conformity with the principle laid down by the World Economic Conference of 1927, be justified in inserting, in their agreements with third States, a "provision whereby the most-favoured-nation clause embodied in bilateral commercial treaties would not as a rule affect plurilateral economic conventions" was unanimously answered by the Economic Committee as follows :

(a) "That, although this reservation in plurilateral conventions may appear in some cases legitimate, it can only be justified in the case of plurilateral conventions of a general character and aiming at the improvement of economic relations between peoples, and not in the case of conventions concluded by certain countries to attain particular ends, the benefits of which those countries would, by such a procedure, be refusing to other States when the latter might, by invoking most-favoured-nation treatment, derive legitimate advantages.

(b) "The said reservation should also be expressly stipulated and should not deprive a State not a party to the plurilateral convention of advantages it enjoys either under the national laws of the participating State or under a bilateral agreement concluded by the latter with a third State itself not a party to the said plurilateral convention.

(c) "Finally, this reservation should not be admitted in cases in which the State claiming the advantages arising under the plurilateral convention, though not acceding to it, would be prepared to grant full reciprocity in the matter.

(d) "The Economic Committee expresses the view that countries which, with reference to the terms of plurilateral economic conventions, agreed to embody in their bilateral agreements based on the most-favoured-nation clause a reservation defined in accordance with the principles set forth above, would not be acting contrary to the recommendations of the World Economic Conference of Geneva, and consequently will not be acting in a manner inconsistent with the objects which the League has set itself to attain."

The above-mentioned report of the Economic Committee forms a reasonable compromise between the fresh possibilities with which countries may be faced, and the disinclination to disturb the equitable principles of commerce which have proved efficacious for so many generations. Thus the Economic Committee, by an examination of the theoretical question, has solved the concrete problem before us.

(a) The problem which faces us here is in fact that of "a general agreement aiming at the improvement of international relations between peoples" and not of a convention concluded between a few States to attain particular ends and with the special object of evading their obligation to grant third States most-favoured-nation benefits.

(b) We have already said that, in our view, States parties to the "Pact of Solidarity" should certainly not deprive a third State "of advantages it enjoys either under the national laws of such States or under an agreement concluded by one of them with another third State".

(c) In conclusion — and this is the main point — it has already been stated in the preceding chapter, that States acceding to the pact should declare their determination to extend the advantages arising under the plurilateral convention concluded between them to third States which "would be prepared to grant full reciprocity in the matter".

(d) The conception of a "Pact of Economic Solidarity" therefore contains all the characteristic features which the Economic Committee thought essential to justify a reservation regarding the principle of most-favoured-nation treatment. The Economic Committee asserts that, in its opinion, States which did so "would not be acting contrary to the recommendations of the World Economic Conference of 1927, and consequently will not be acting in a manner inconsistent with the objects which the League has set itself to attain".

## VII. SCOPE OF THE "PACT OF ECONOMIC SOLIDARITY".

### (a) *The Three Kinds of Circulation.*

When we speak of economic *rapprochement*, the problem of Customs duties is the first which occurs to us, and naturally so. Yet it is none the less true that other factors are almost as important in the interplay of international economics, and that all these factors are inseparably bound up with one another.

We cannot, then, speak of real economic solidarity if the latter refers merely to measures dealing with the circulation of commodities.

The circulation of capital, and, above all, the circulation of individuals and the free exercise of their economic activities are also essential elements in any well-founded system of solidarity.

These three main types of circulation therefore mark the subject matter of the pact.

### (b) *Colonies.*

The above postulates, we think, a very important conclusion of a geographical nature.

To adjust, in a satisfactory manner, the economic activities of the various nations it seems essential that account should be taken of all the resources of such nations, without exception. We might conclude that it would scarcely be possible to restrict the scope of the pact to the home territories of nations parties to the pact, but that, on the contrary, the sphere of economic solidarity, the "free market" which we should aim at, should also include the colonies, possessions and protectorates of the nations in question.

### (c) *Circulation of Individuals and Exercise of their Economic Activities.*

On November 5th, 1929, a Diplomatic Conference is to meet at Geneva to draw up a convention for defining the status of foreigners and foreign enterprises already operating in the territory of a foreign State.

Countries parties to the pact would certainly give this project every support, but they would probably discover that, in view of the special bonds uniting them, it would be advisable to supplement such a Convention by additional agreements affording still wider guarantees.

The same States would also have to consider a second Convention, aimed at introducing between them complete freedom of movement and of entry, both for individuals and for undertakings, companies, etc., — subject, of course, to the restrictions necessary for reasons other than economic.

Special agreements would probably be necessary regarding emigration of labour.

### (d) *Circulation of Capital.*

There is already a considerable amount of freedom in this sphere.

Investigations which have been made on the subject of double taxation and tax evasion should be embodied in a Convention concluded between the States parties to the "Pact of Economic Solidarity".

In respect of legislation concerning bills of exchange and cheques, it will have to be considered whether closer agreements should be concluded between such States than those which will probably be drawn up by the International Conference to be convened by the League of Nations in the first quarter of 1930.

Investigations should probably be undertaken with a view to discovering the best means of ensuring that capital circulates freely, and is enabled to exercise its productive influence in the sphere of general economy.

(e) *Raw Materials.*

Enormous economic progress, and a considerable advance in the maintenance of peace, would be accomplished if, among States parties to the pact, reliable guarantees could be provided for the free circulation of raw materials, a source of constant anxiety to all countries which are not favoured by nature.

What these latter require is the certainty of always obtaining supplies of raw materials in adequate quantity and at reasonable prices.

This object might well be attained as the result of joint arrangements between the States parties regarding export prohibitions and restrictions, Customs duties and certain measures which might influence the policy of international trusts and cartels.

The question of prohibitions has already been settled by an International Convention. In the case of States parties to the Pact, this should be put into force and the exceptions it contains withdrawn.

Investigations should be pursued into international industrial agreements, viewed more particularly from the special standpoint of the necessity of affording guarantees to some of the nations parties to the pact.

The circulation of commodities confronts us with the question of Customs duties — the most difficult problem of all. The remarks contained in the following chapter do not by any means claim to be solutions of the problem, but are merely an attempt to elucidate and collate the data thereon.

*Note to Paragraph on the Colonies.* — The principle of the integrity of national sovereignty applies equally to colonies. Every nation should therefore be able to continue taking the measures it considers necessary in the territories of its colonies, provided, however, that such measures are not contrary to the general aim of the "Pact of Economic Solidarity".

Example : In the case of a colony where too rapid industrial development, or too great an influx of whites might endanger or handicap the native population or the future of the colony, the State should be entitled to restrict, in certain respect, the entry of foreigners, or introduce a system of permits and concessions for industrial enterprise, provided always that such restrictions were in harmony with the purpose of the pact, and that such restrictions were similarly applied to its own subjects and to the nationals of other contracting States, or that, in granting concessions, no discrimination was made between its own subjects and the nationals of other contracting States.

## VIII. CUSTOMS DUTIES.

(a) *Conception of a "Free Market".*

By "free market" is generally understood the internal market of a single country, that is to say, a territory within which the movement of all goods is neither hampered nor influenced by the existence of Customs duties.

At the same time, the economic solidarity at which the pact is aiming could be considered complete if conditions of production and of commerce were equal throughout the whole of the territories of the acceding States. In other words, it would be sufficient that the influence of Customs duties should be neutralised in so far as it is capable of vitiating the conditions of production and competition.

(b) *Fiscal Duties.*

If we compare the two interpretations of the term "free market" given above, we shall see that the second does not necessarily imply the abolition or reduction of all Customs duties indiscriminately. There is, indeed, a whole series of Customs duties which are really only a special form of indirect tax on consumption ; even the Customs duty is often only applied in order to impose upon an article coming from abroad the tax which is levied on the same article in the home country. A Customs duty levied on goods which are not produced in Europe, a minimum Customs duty, having no influence on the conditions of production, can be levied on raw materials or basic products consumed in large quantities without constituting a barrier within the meaning of the present Memorandum.

Community of economic life, freedom of commercial activities, in a word, the "free market" as we understand it, can quite well exist side by side with the application of these duties. This brings us to an important consideration concerning Customs receipts.

(c) *Customs Receipts and the Fiscal Objection.*

In the budget of most States, Customs receipts make up an important part of the total revenue of the State. On an average they amount to about 15 or 20 per cent of total revenue. In some cases the percentage is still higher, and in certain federated States it amounts to nearly four-fifths of the total receipts of the federation. It should be added that after the war several countries pledged their Customs receipts as security for large international loans for the reconstruction of their economic life.

In these circumstances, States must obviously view with anxiety any plan which provides for a gradual lowering of Customs duties, and which seems to them likely to threaten the amount of the receipts they obtain therefrom.

In order to dispel this legitimate anxiety, the first argument to employ is to be found in what has just been said of Customs duties of the fiscal type. As regards the other duties, there seems no doubt that the result of increased exchanges between contracting countries, both in respect of number and importance, would be to increase rather than to diminish Customs receipts. On this point we could quote striking examples. Naturally, if the protective duty accomplishes its purpose, it obviously cannot contribute largely towards the revenue. On the other hand, there seems no doubt that soon the enormous advantages of greater liberty in international transactions, the encouragement thereby given to individual initiative and to capital, will not fail to multiply the articles upon which taxes can be levied, especially in regard to taxes on consumption and on commercial transactions. This increase may make up for any reduction in Customs receipts.

Finally, the presence in the Customs tariffs of the contracting States of a large number of fiscal duties would appreciably facilitate the collective negotiations proposed, for all these duties could be excluded from discussion at the outset.

(d) *Importance of Fiscal Duties.*

We have just observed that the idea of economic solidarity does not require the reduction of duties of the fiscal type (at any rate for a considerable time). These duties form an exceedingly important part of the whole of Customs revenue, which is only natural when we consider that, generally speaking, they apply to articles largely consumed, while on the other hand protective duties, if effective, can by their very nature only furnish a limited source of revenue.

Thus, in the accounts of one large European country for the financial period 1926-27 — a country which itself distinguishes between fiscal duties and other duties — we find that the former amounted to 56 per cent of the total, only 43 per cent being economic duties.

We note from the same accounts that economic duties on pig-iron, steel and motor-cars yielded altogether about 20 millions, while the fiscal duties on coffee alone yielded 53, those on petrol 45, and those on oil 23 millions.

The above figures are only quoted as examples, for the conditions are not the same in every country; but it may be stated without fear of contradiction that, by leaving fiscal duties in force, quite half of the total Customs revenue would still remain — anyhow in the case of European countries — industrialised and consuming large quantities of raw materials and colonial products.

## IX. BILATERAL NEGOTIATIONS AND COLLECTIVE NEGOTIATIONS.

It has often been suggested that the tariffs between European States, or between some of them, could be lowered simply by inserting an exception to the most-favoured-nation clause in treaties with third States and by leaving the preferential régime thus established to develop of itself by means of bilateral commercial treaties.

It would be foolish not to recognise the benefits of bilateral negotiations, the only method which facilitates the play of international transactions and which meets all requirements, when it is a case of settling relations between national economic systems which are totally distinct and do not pursue a common policy.

It may, however, be doubted whether this method is of itself sufficient to lead by stages to the establishment of a real economic solidarity. It would also seem impossible to reach this goal through autonomous action by the different States.

(a) *Autonomous Policy of States.*

Only two countries in the world can really choose freely between a policy of freedom and a policy of protection. The actions of States are determined by the actions of other States, especially those which occupy the same continent and with which they entertain very close relations.

The International Economic Conference illustrated this interdependence by showing how, after the war, the protectionist measures of one State inevitably led to counter-measures by other States, so that the movement towards protection was only accelerated by this combination of individual acts.

That being so, it would seem difficult for any one country, and especially for a European country (in Europe interdependence is intensified by the custom of negotiating tariffs) on its own initiative to pursue a Customs policy to any large extent more liberal than that of other States.

(b) *Negotiation of Bilateral Treaties.*

The position is not very different when two countries seat themselves round a table in order to negotiate a commercial treaty. Their actions are not only determined by the need of settling their mutual interests, but also by the Customs policy of all the States surrounding them and particularly that of their immediate neighbours.

Moreover, even concessions which they could in many cases grant without undue danger become difficult for them to make when they consider the possible effects of these concessions, thanks to the most-favoured-nation clause, which extends them without distinction to all other States.

Accordingly, there are certain unknown factors which enter into the calculations of the negotiators, for they cannot know in advance what will be the result of their future negotiations with other countries, and yet the clause is absolutely essential as the only means of regulating and facilitating trade.

Thanks, therefore, to the effects of the clause, States take in a bilateral form decisions which are in fact collective, but without realising the full repercussions which these decisions involve.

(c) *Negotiation of Collective Treaties.*

It follows from the foregoing that, in negotiations between States pursuing a common aim and advancing towards solidarity of interests, the bilateral method should probably give way to the collective method.

Let us hasten to add that it is useless to conceal the very great technical difficulties which this method implies. Even in the case of two tariffs, settlement is not easy; what then will happen when a number of countries are negotiating at the same time?

The present Memorandum does not claim to answer all these questions; nor is there any precedent to appeal to.

It remains, however, an indisputable fact that only by collective negotiation — provided it is well prepared — is it possible for all the contracting parties to see at a glance all the advantages which may balance all the concessions asked of them.

What we said just now concerning fiscal duties covers a whole series of very important items in a country's budget, which could be eliminated from discussion at the outset.

Moreover, all the negotiators know that an agreement is very rapidly reached even on a very large number of items, and that the difficulties nearly always centre round the adjustment of a few large branches of production, particularly characteristic of, or important to, the two national economies concerned.

It is almost certain that many questions of detail could also be fairly rapidly disposed of by collective negotiation, especially as it is inconceivable that a State should accede to a "Pact of Economic Solidarity" without having pretty well decided to sacrifice secondary interests to the general purpose and to concentrate its attention upon those interests which are really essential to its economic well-being.

For the rest, if collective negotiation should only lead to general results, it could be followed by bilateral negotiations for the purpose of settling points of detail.

X. ARE NEGOTIATIONS FOR A "COLLECTIVE COMMERCIAL TREATY" POSSIBLE?

The negotiation of a collective commercial treaty is rightly considered to be a complicated and almost insoluble technical problem.

Without claiming to settle in advance difficulties which, when all is said and done, are still unknown, we may usefully attempt to consider the manner in which negotiations of this kind might take place.

(a) *The "Simplified Tariff" Method.*

It is conceivable — and the method has often been proposed — that States ready to take part in these collective negotiations should begin by drawing up, on the basis fixed between them, an instrument of negotiation, consisting of a simplified tariff scheme. The thousands of items in the present tariffs, which were constructed on the theory of "an item for each article", could be regrouped and combined into a few hundred items covering a whole collection of articles having a close affinity with one another.

Opposite the divisions of this framework, each State would have to place a general figure representing an *ad valorem* duty corresponding to the degree of protection now applying to the numerous articles which, in its present tariff, constitute the said divisions. This would lead it to disregard secondary in favour of essential interests.

Obviously ten or twelve tariffs established in this way would make it much easier for States in conference to form an idea of the general situation than the present tariffs allow.

Nevertheless, although this method seems the best in theory, there are almost insuperable difficulties in the way of its execution.<sup>1</sup> Apparently, therefore, it must be abandoned, although it may automatically offer itself as a solution, but, if so, in quite different circumstances and at a later stage in the negotiations.

(b) *Negotiations on the Basis of the Present Tariffs.*

It would, therefore, be far more in conformity with all present technical ideas to base collective

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<sup>1</sup> The present tariffs contain within each important division a number of totally different duties. Take, for example, the bars, plates and wire of any metal; further subdivide plates and wire according to thickness and we find that the specific duty — although originally undoubtedly fixed with regard to its value — when expressed as a percentage, is not the same compared with the different values of these different articles, even when we consider the greater amount of work incorporated in them. In many cases, the duty seems, indeed, no longer to have any direct relation to the value of the article. Thus the various degrees of protection are shown by totally different levels of duties.

In order, therefore, to establish a "simplified tariff", we should have to combine, in the form of a single *ad valorem* duty, a whole number of duties the sizes of which, and the reasons for which, are essentially different. This alone presents an almost insuperable technical difficulty.

Further, it is only natural that a State taking part in negotiations the issue of which is uncertain, and completely ignorant of any compensations that other States may offer to it, should tend to fix its total duty at the level of the highest individual duties rather than at an intermediate level.



negotiations upon the tariffs of each country as they are to-day, in spite of the difficulties due to the enormous number of items.<sup>1</sup>

Presuming, therefore, the existence of a central office charged with the duty of preparing the documentary basis of the negotiations, States would only have to forward to it two memoranda, which could be called, the one, "Request for reductions" and the other, "Offer of reductions".

Obviously it would be impossible to mention in these memoranda the changes to be made in each of the duties contained in each of the tariffs of the participating States.

As regards reductions, the State would mention in its request, in the form of a percentage, the order in which it would like to see other States reduce their duties on the groups of products which it exports.

In other words, its request for reduction would be a general indication of the reduced Customs régime which would allow its exports to expand.

Having done this, the same States would mention in the second memorandum — still in a general way only — the reductions which it would be ready to carry out, that is to say, the reduced Customs régime which it would be prepared to grant, if the negotiations succeeded. Agreement does not seem impossible as regards the way in which the requests for, and offers of, reduction could be drawn up.

Supposing that ten or twelve States submitted these two documents, would it be possible to obtain from a comparison of them certain general indications?<sup>2</sup> It is not easy to answer this question in the affirmative, although certain enquiries made by the Economic Organisation suggest that it would not be impossible to create order out of what may at first appear chaos, and to introduce classifications which would lead the negotiations in the right direction.

In any case, this collective examination would certainly be of enormous value to all the countries. They would, if only in a general way, be able to realise much better than they do to-day all the advantages they may derive from the gradual reduction of Customs barriers.

### (c) *Influence of the Geography of the "Pact" on the Bases of Collective Negotiation.*

We should realise that the documents serving as the basis of collective negotiation, namely, the requests for, and offers of, reduction, will furnish a totally different point of departure according to the composition of the group acceding to the "Pact of Economic Solidarity".

An example familiar to everyone will illustrate this. In Europe, we have countries which every year have a surplus of agricultural products to export, for example, Hungary, Roumania, the Kingdom of Yugoslavia, etc. There are others which, although they have a large agricultural yield, do not produce enough for themselves and have annually to import a certain quantity of the same products, while they are also large exporters of industrial products: France, Germany, Italy, etc. When Hungary, the Kingdom of Yugoslavia and Roumania submit their memoranda to the central office, they will probably say that they are ready to open the door much more widely to industrial products if the other States are prepared largely to reduce or to abolish the import duties on, for example, cereals.

What will be the reaction of the other States if the discussion embraces the whole world, and what will be the reaction if the discussion is confined to European countries? In the former case a negative reply is almost certain; these States will consider it too dangerous to open the door wide to the agricultural exports of certain overseas countries, which might at a given moment throw enormous quantities of cereals upon their market and cause a disastrous fall of prices.

In the second case, States of the industrial type would probably consider the proposal as an acceptable basis of discussion, since the possible danger of a surplus in Europe either does not arise or arises in less alarming forms.

## XI. SUMMARY AND SUGGESTIONS.

The ideas which underlie the suggestions contained in the present Memorandum may be summarised as follows:

### A.

1. The point of departure is the idea of an economic reorganisation of Europe, designed to remedy the evils resulting from its territorial division.

This is a purely economic idea, but it also seeks to reinforce conditions of peace in Europe. It is directly associated with the idea which M. Briand expressed in the Assembly.

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<sup>1</sup> A third course would be to await the fixing of the unified nomenclature now being prepared by League of Nations experts. This nomenclature is naturally based upon existing tariffs. It will no doubt be very detailed and States could adopt it, if not for application, at least in order to have a common nomenclature for the purpose of collective negotiation.

The work already done gives us assurance that it would not be difficult to adapt the tariffs of the different States to the unified nomenclature. This operation, however, would not greatly serve to clarify the situation, since this nomenclature, while offering the great advantage of being the same for all, will probably be as detailed as that of most tariffs.

<sup>2</sup> We should like it to be understood that we are not thinking of hard-and-fast methods consisting, for example, in applying the same tariff rates to all countries. The negotiations would probably succeed in fixing certain percentages different for different groups of countries; but it should be said at once that no one dreams of imposing, in respect of the same products, acceptance of the same duty by countries situated in totally different circumstances.

Even if percentages could be fixed, it would obviously be necessary to make provision for a very large number of exceptions, which would take account of the different needs as well as of the preoccupations of the different countries, whether as regards their future economic development or, more especially, as regards the possible requirements of their national defence.

It would seem impossible that action which aims at supplying a remedy for a serious crisis affecting a large number of countries can be in any way contrary to the ideals of the League of Nations.

2. The action contemplated should be restricted to the economic sphere and to safeguarding in their entirety the sovereignty of States and national independence.

3. The idea of the reconstruction of Europe converges upon and coincides with the ideal proclaimed by the International Economic Conference regarding the need for a lowering of barriers, especially Customs barriers.

4. Nevertheless, in order that the ideal of the League of Nations may be faithfully respected, every nation which is prepared to contribute to this work must be able to do so if it sees fit.

5. It is also necessary that all countries not parties to the agreement in question should be able, in fact, to benefit from all its advantages, provided only that they offer equivalent advantages.

#### B.

1. This action could start with the establishment of a "Pact of Economic Solidarity", to be submitted to all countries and to which those seeing fit to do so would accede.

In Appendix I we give a number of suggestions as to the principal points that a pact of this should include.

2. This pact would mention as its ultimate aim the establishment in Europe of the fullest possible measure of economic solidarity and of a "free market" within the meaning of the present Memorandum, this aim to be attained by successive stages, probably extending over several decades and marked by successive collective commercial treaties.

3. Nevertheless, as it is impossible to anticipate the results of the negotiations regarding the first collective treaty, the duration of the "Pact of Economic Solidarity" would be limited to three years, so that countries may resume full freedom if they do not find any advantages in these negotiations.

4. During this triennial period of negotiation it is essential that the bases of the actual negotiation should not be altered.

To this end, States acceding to the "Pact of Economic Solidarity" would also have to undertake not to raise their Customs tariffs, and not to establish new barriers or any obstacles to commerce during the whole period of the negotiations.

5. States should also undertake to come to an agreement with non-acceding States with which they have concluded treaties of commerce, or to denounce such treaties, in order to be able to insert in the future treaties a clause making an exception to most-favoured-nation treatment in favour of collective treaties concluded under the auspices of the League of Nations in execution of the "Pact of Economic Solidarity".

6. They should further :

(a) Formally undertake to accept the accession of any third State which at a given moment wished to associate itself with the contracting States by assuming the obligations of the pact and of the collective treaties following thereon ;

(b) Formally proclaim that any third State which, by negotiations or by autonomous action, offers equivalent advantages, would be entitled to the advantages enjoyed by the contracting States under the régime established between them.

## XII. PROCEDURE AND DECISIONS OF THE PRESENT ASSEMBLY.

The Assembly could perhaps decide :

A. To instruct a group of competent persons, of whom the Economic Committee might form the nucleus, to prepare a first draft of the "Pact of Economic Solidarity".

For this purpose the suggestions in Appendix I of the present Memorandum might perhaps be of some use.

This first draft could be framed during the next session of the Economic Committee, which meets on October 24th.

B. To request the Council to examine the first draft prepared by the above-mentioned group and, if it approves it, to transmit it to all States Members of the League and non-Member States, requesting them :

(1) To forward their observations ;

(2) To take part in a Conference for the purpose of finally fixing the terms of the "Pact of Economic Solidarity" and signing it.

This communication would be transmitted immediately after the Council's session in December.

C. On the basis of the observations received, the same group, including the Economic Committee, would make any necessary alterations in the draft and would prepare the "Green Book" to serve as a basis of discussion for the Conference.

The Conference could meet during the summer of 1930.

D. The "Pact of Economic Solidarity", having been signed and the number of States acceding to it having been thus determined, the Conference would also fix the steps to be taken to prepare for the collective negotiations leading to the conclusion of the first collective treaty. These negotiations might perhaps begin in the autumn of 1930.

E. The Economic Committee would be at once instructed to take in hand the work relating to the "various matters affecting international trade" mentioned in Appendix II below.

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Appendix I.

SUGGESTIONS CONCERNING THE PRINCIPAL POINTS TO BE INCLUDED IN THE "PACT OF ECONOMIC SOLIDARITY".

*Preamble.*

The preamble might contain ideas resembling those expressed in Chapter XI of the present memorandum and would mainly emphasise :

- (a) That the point of departure is the reconstruction of economic life in Europe ;
- (b) That this work comes within the framework of the League of Nations and of the equitable treatment of commerce in relation with all nations.

*Main Clause.*

The contracting States declare that they are resolved to direct their individual and concerted efforts, through collective action, taking the form of successive collective treaties of commerce concluded under the auspices of the League of Nations, towards the gradual elimination, as between themselves, of national economic measures, the direct or indirect effect of which is to prevent, restrict or impede the free movement of men, merchandise and capital and the free exercise of any economic activity.

This obligation would apply to the home countries of the contracting States and to their colonies, possessions and protectorates and to the territories under their mandate.

The final object at which the contracting States have decided to aim, in accordance with the two foregoing paragraphs, would be the establishment of an area of economic solidarity, comprising the territories mentioned above and within which every national of any of the contracting States could, without hindrance, exercise any form of economic activity whatever without finding himself, as a result of national frontiers, opposed by prohibitions or restrictions, except such as the contracting States have agreed between themselves that they may maintain or apply.

*Negotiation of the First Collective Treaty.*

With this object the contracting States undertake to participate, in the spirit of the general engagement entered into above and in the desire to give it a certain degree of effect forthwith, in collective negotiations, which will not begin until the present pact has come into force, between the countries which have become contracting parties thereto by ratification or accession.

The Council of the League of Nations will have power to invite delegates of States other than the contracting States to take part in these negotiations in whatever manner it may think most suitable.

A meeting of the contracting States will be held immediately after the present pact comes into force to decide upon the methods to be followed in these collective negotiations, and more particularly the methods of preparation to be employed.

These negotiations will necessarily involve various proceedings, discussions and meetings, in which the contracting States undertake to participate either through their delegates or by keeping the necessary officials at Geneva.

The object of the negotiations will be to establish a "First Collective Treaty of Commerce" between the contracting States.

*Safeguarding of National Independence.*

It is agreed that the obligation incurred by the contracting States under the "main clause" shall not in any way or at any moment affect their national independence and their freedom of action as independent sovereign States.

Accordingly, the "main clause" does not include other economic measures which States in the exercise of their sovereignty may be led to take in order to safeguard their political independence, protect public interests, etc., and maintain the national individuality of each of the contracting States.

*Arbitration and Conciliation.*

Provision should be made to submit to arbitration, or at any rate to a conciliation procedure, or to both, any disputes that may arise from the application of the pact in any economic question, as qualified in the preceding paragraph.

*Duration of the " Pact of Economic Solidarity ".*

The action contemplated is an experiment, the issue of which cannot be determined with certainty.

It is therefore important that a clause should enable contracting States to denounce the pact after a certain time if the negotiations do not appear able to ensure them the advantages they looked for.

The period in question could be three years.

*Customs Truce.*

It is important that, during the three-year period, the bases of negotiation should not be unduly interfered with and that the negotiations should proceed in an atmosphere of calm and stability. For this purpose, the contracting States undertake not to raise their import and export Customs tariffs and to abstain from any new restrictive measure for the duration of the pact, viz., three years.

*Clause guaranteeing Equitable Treatment in regard to Third States.*

In order to indicate clearly that the pact does not aim at forming a group of economic forces antagonistic to other nations or other groups of nations, the contracting States would solemnly undertake to grant all the advantages of the régime established between them under "Collective Treaties" to any State remaining outside the pact provided that such State offered them, particularly as regards Customs duties, equivalent advantages, either by a treaty or by autonomous action.

The contracting States will not make the fulfilment of this undertaking depend upon the accession or non-accession of the third State in question to the "Pact of Economic Solidarity".

Third States thus admitted to the benefits of the internal régime must naturally undertake to adopt any necessary measures (certificates of origin, etc.) in order to prevent other third States from profiting by the advantages of the internal régime without offering equivalent advantages.

The contracting States would be ready at any time to examine the request of any third State wishing to accede to the pact and to consider the conditions of such accession.

*Exception to the Most-Favoured-Nation Clause.*

The contracting States would undertake to enter into negotiations at once with any States not acceding to the pact with which they have concluded bilateral treaties containing the most-favoured-nation treatment clause, so that they may introduce into the said bilateral treaties an exception to that clause in favour of tariff reductions and other concessions which the contracting States may grant to each other under collective treaties concluded in execution of the present pact.

If necessary, they will denounce treaties with third States so as to be able to execute the terms of the first Collective Treaty as soon as this can enter into force.

*Minimum Geographical Application of the Pact.*

The pact will not be able to come into force unless it obtains a certain minimum number of accessions.

Further, each of the contracting States must be free to make its accession conditional upon that of certain States with which it has close commercial relations. This type of clause has already been inserted in the Convention on the Abolition of Prohibitions.

During the main negotiations, relating to the Customs régime and aiming at the establishment of the first Collective Treaty, the contracting States undertake to participate, in the spirit of the pact, in all work directed towards the establishment of agreements covering the "various matters affecting international trade" enumerated for purposes of information in Appendix II below.

The ratification of the present pact will be deposited within three months of the date of signature.

If, at the end of that period, such conditions as the contracting States may have laid down for the entry into force of the pact should not have been fulfilled, the Secretary-General will summon a meeting of the contracting States to consider the situation.

*Relations of Contracting States between Themselves and Relations of Each with Third States.*

In order that the stipulations of the Collective Customs Treaties may produce their effect, it will be necessary to fix certain proportions between the duties which contracting States will apply to the other contracting States and those which they will apply to third States.

That is the only limitation which would be imposed upon the freedom of action of the contracting States in their policy towards third States. Apart from this limitation, each contracting State would continue to apply its present tariff as against third States under the conditions fixed by treaties concluded with those States.

Accordingly, apart from the restriction mentioned above, each State is left entirely free to act towards third States as it deems fit.

*Method of Execution.*

The collective action mentioned in the "main clause" should be pursued with the assistance of the Economic Organisation of the League of Nations and under the direct control of the Council and the Assembly.

It should aim at establishing a "First Collective Treaty of Commerce and Economic Solidarity" which would be followed at fixed intervals by other similar treaties.

The contracting States undertake to participate in the work and to submit to the rules which the Conference of States acceding to the pact will fix, with regard to the documents to be submitted for the purpose of preparing the first collective negotiations.

In obedience to the common principle formulated in the main proposal, the States undertake to facilitate these negotiations by concentrating upon the settlement of interests essential to their economic life and by as far as possible disregarding secondary interests. Nevertheless, they are the sole judges of this distinction.

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Appendix II.

VARIOUS MATTERS AFFECTING INTERNATIONAL TRADE.

Together with the central question of tariffs, the States acceding to the "Pact of Economic Solidarity" should naturally aim at concluding closer agreements than those which they have hitherto realised. On several of these matters international conventions already exist or are being prepared. The following is a sketch of the programme of this work, given merely for purposes of information :

1. Resumption of the Convention relating to Customs Formalities, with a view to concluding additional agreements between the High Contracting Parties on points left unsettled.
2. Resumption of the Prohibitions Convention with Supplementary Agreement, with a view to getting rid of the reservations in paragraph I of Article 6; and to establishing between the High Contracting Parties complete freedom of movement, especially in regard to raw materials, etc.
3. Conclusion of a Veterinary Convention between the High Contracting Parties.
4. Conclusion of a Convention for the International Trade in Plants.
5. Studies with a view to agreements on general questions concerning the application of duties :
  - Net weight and gross weight ;
  - Tare ;
  - Packings.
6. Preliminary studies with a view to fixing certain principles for the establishment of *ad valorem* duties and for the conversion of these duties into specific duties.
7. Statistics, application and extension as between the High Contracting Parties of agreements of which the foundations were laid in the last International Convention.
8. Revision and examination of all measures coming within the category of indirect protection, with a view to their removal as between the High Contracting Parties, especially the following :
  - Export bounties ;
  - Differential transport rates ;
  - Provisions placing the foreign producer in a position of inferiority as compared with national producers in regard to the supply or execution of public work, etc. ;
  - Direct and indirect subsidies.

*Note.* — With regard to the questions mentioned under No. 8, and particularly regarding the question of subsidies, States will have to consider whether they should decide in favour of condemning them absolutely. According to the principle of national independence, which recognises the right of all nations to take such measures as may contribute towards the expansion of all the vital forces of their national economy, the freedom of States, in so far, for example, as concerns direct or indirect subsidies, should not be curtailed until those measures threaten to disturb the commercial relations between States or simply to alter the conditions governing competition, or until dumping or other similar practices are organised ; in short, until such measures indirectly conflict with or evade the obligations which the States have assumed and, defeat the very object which the "Pact of Economic Solidarity" has in view.

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ANNEX 5.

SUPPLEMENTARY CREDITS NECESSARY TO CARRY OUT THE ECONOMIC PROPOSALS DISCUSSED IN THE SECOND COMMITTEE.

LETTER ADDRESSED TO THE CHAIRMAN OF THE SECOND COMMITTEE BY THE DIRECTOR OF THE ECONOMIC AND FINANCIAL SECTION.

Geneva, September 13th, 1929.

I think it will be convenient for you to have at this stage a note as to the budgetary consequences of the proposals now under discussion by the Second Committee with regard to economic work.

(Signed) A. SALTER.

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The following proposals of work, additional to what was approved when the budget now submitted to the Fourth Committee was framed, have been made in the Second Committee.

1. A Governmental Conference to conclude a tariff armistice in January next. — The cost to the League of this Conference may be estimated at 15,000 francs.

2. Intensive negotiations in preparation for the conclusion of a collective treaty on commercial policy. — This will involve the presence of Governmental representatives. It is difficult to estimate exactly the frequency and duration of these meetings. A reasonable provisional estimate of the cost is 50,000 francs.

3. Expediting the work on tariff nomenclature. — This work is done by experts whose travelling expenses are paid by the League, and heavy expense is therefore involved by any considerable increase in the length of their meetings. If they meet for a total of, say, eight months, instead of three as contemplated in the present budget, the additional cost involved would be about 75,000 francs.

If a volume giving the results of this work is to be published in 1930, the cost of printing would amount to a gross sum of 40,000 francs. Receipts from sales would be considerable, but do not affect this provision, as no credit is allowed to the Economic and Financial Section Chapter.

4. *Coal.* — A meeting of Government representatives to consider the recommendations of the Economic Committee is contemplated in the resolution. The cost of this Conference may be taken at 15,000 francs.

The credit for this Conference is additional to the provision made in the budget for meetings of coal experts, which will still be required.

(*Note.* — The Conference on hours, wages, conditions of employment, to be arranged by the International Labour Office, is dealt with in a separate note.)

5 (a). The Statistical Conference recommended the publication of a list of ports of loading and unloading open to international trade. A very large edition indeed of this may be required. The total gross cost should therefore be estimated at 40,000 francs.

The sale is likely to be large and it is probable that there will be no net cost at all. This, however, does not affect the provision in the Economic and Financial Chapter, as no credit is allowed to this Chapter for the proceeds of sales.

(b). It has been proposed that a general annual survey of economic conditions should be arranged for. It is not contemplated that this should actually be published in 1930, but some preparatory work is likely to be involved, costing, say, 10,000 francs.

The proposals for additional work before the Second Committee will therefore cost a total of about 245,000 francs in addition to the cost of some additional temporary personnel which will be required for the extra work.

It is not, however, necessary to ask for this sum as an addition to the budget already presented; although the Committee expresses the strong hope that additional work will not involve the abandonment of work now in hand, it will be possible so to arrange the attendance of members required for existing and new work as to economise substantially in the expenses involved.

It will thus probably be sufficient if a total addition of, say, 120,000 francs is added to Chapter III, 19B, of which about 60,000 francs would be required for extra printing.

As at least 20,000 francs additional may be expected from sales in 1930, this would represent a real net addition of only about 100,000 francs.

The proposal of a net increase of less than half the cost of new work is possible only on the assumption that transfer is arranged as required between the items for committees and conferences and temporary personnel.

\* \* \*



The Director of the International Labour Office has asked me to send you at the same time the following note with regard to the extra credit required by the International Labour Office.

\* \* \*

No provision is made in the 1930 estimates presented by the International Labour Organisation to the Assembly for holding a technical conference, such as is now suggested, to deal with hours, wages and conditions of labour in the coal industry.

The Committee is therefore requested to propose the appropriation of the necessary money to the Assembly through the Fourth Committee, with a view to its addition to the estimates already presented for the International Labour Organisation.

It is assumed that the expenses of the delegates attending the Conference will be borne exclusively by the Governments concerned. It will be possible to avoid any additional expenses in connection with the hire of buildings, as it is proposed that the Conference should meet on the premises of the International Labour Office. It will, however, be necessary to provide for the engagement of a certain amount of temporary staff, and for the necessary incidental expenditure in connection with printing, stationery, telegrams, etc. It is estimated that the total expenditure for these purposes will be 65,000 francs.

The Committee is requested to propose the voting of a credit for this amount accordingly, for use in the event of the Conference in question being convened by the Governing Body of the International Labour Organisation.

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## ANNEX 6.

### WORK OF THE HEALTH ORGANISATION.

REPORT SUBMITTED TO THE SECOND COMMITTEE BY M. ZDENĚK FIERLINGER (CZECHOSLOVAKIA).

The reports on the work of the Health Organisation, which have been submitted this year to the Assembly, prove that this Organisation has faithfully adhered to the policy which it had adopted to avoid dispersal of effort and concentrate its attention on certain problems of international hygiene. It has refrained from repeatedly launching out into new enquiries but during the past years has gone very thoroughly into the questions already before it, so that the various health administrations might benefit thereby.

Before entering into details, I must inform you that the Rockefeller Foundation is prepared to continue its generous assistance to the Health Organisation and has concluded a new agreement with the Council by which it undertakes to place at the disposal of the Health Committee for a period of five years from January 1st, 1930, an annual subsidy equal to the total grant which the Health Organisation was already receiving in any one year for certain phases of its work, and for the extension of the work it does through the Singapore Bureau.

The Second Committee will doubtless wish to direct attention to this generous assistance which is not only a recognition of the value of the League's health work but also secures effective co-operation with a great American institution.

I do not propose to recapitulate the data contained in the annual reports ; I will merely quote a few examples in order to illustrate the Health Organisation's methods of work.

1. Let us take, for instance, the problem of syphilis. In 1924, the Health Committee, by means of preliminary enquiries, ascertained that the diagnosis of syphilis by blood-tests was not, owing to the different methods employed, of equal value in different countries and that, consequently, it was more likely to mislead a practitioner than to give him a reliable guide. The matter was therefore submitted to a group of experts of acknowledged authority who, after minute laboratory research, met at Copenhagen to study in detail the characteristics of the various methods of diagnosis. Further progress was achieved ; last year another meeting of the same experts reached conclusions which will enable laboratory workers and practitioners to employ these various methods with full knowledge of the facts. The work of the Health Organisation on syphilis accordingly began with a study of diagnosis.

Having compared the various methods of diagnosis, the Health Committee was led to compare the value of a group of remedies generally known under the name of "Salvarsan" and its derivatives.

The use of these preparations inaugurated the modern methods of treatment of a disease, the effects of which upon the well-being of humanity are known to all. They can, however, only be employed in doses and under conditions determined by experimental study. Here again, thanks to very minute laboratory work, followed by meetings and conferences of specialists, the Health Committee has secured agreement among the experts. At present, the international standard is kept in the official institutes at Frankfort, London and Washington ; these institutes, on behalf of the Health Committee, place the standard preparation at the disposal of any administration which so requests, for the purpose of ascertaining whether the efficacy and safety of the preparations manufactured in its own country are equivalent to those of the international standard.

It may therefore be said that the Health Organisation has done much to bring into use effective non-toxic remedies in the campaign against syphilis throughout the leading countries of the world.

Last year, on the basis of new methods of diagnosis and with the assistance of remedies of known value, the Health Organisation began to consider what methods of treatment since the war had given the best results. In recent years there has been much discussion concerning the results obtained in the treatment of this disease. It had been hoped that the great efforts made with new remedies would bring about a very appreciable decrease in the number of cases. This was actually so for a few years, but latterly doubts have been expressed as to the value of the treatment and the decrease in incidence.

After the last session of the Assembly, the Health Committee set on foot enquiries into this subject in University clinics and dispensaries in Germany, Denmark, the United States of America, France and Great Britain. The results of the analysis of about 50,000 cases will be known towards the end of this year. The results of this enquiry should prove of great value in the fight against this terrible disease.

Had I to summarise this chapter in one sentence, I should say that, having compared national experiments on the diagnosis of syphilis and the value of remedies, the Health Committee hopes to reach certain practical conclusions concerning methods of treatment which may be placed at the disposal of the health services of all countries.

2. The same method has been followed in connection with the enquiry into infant mortality. This enquiry, first suggested by the Netherlands delegation at the Second Committee, was entrusted to experts drawn from seven European countries. After preliminary investigations, these experts have, during the last few years, studied in twenty-seven districts the medical and social causes of 7,053 deaths among children under twelve months, and 2,356 dead births which occurred within a period of twelve months.

This enquiry is now finished. Conclusions have been drawn which will form the basis for fresh efforts to reduce infant mortality. The enquiry also showed the points which are still obscure and which will have to be made the subject of special investigations; for example, the fact that, out of every hundred deaths among children under one year, eighteen to thirty-four occurred during the first eight days of life.

These enquiries have largely contributed to stimulate interest in the districts where they have been held.

Similar investigations instituted in four countries of Latin America (Argentina, Brazil, Chile and Uruguay) have also been completed and a general report will be submitted early next year.

The enquiry has also aroused keen interest in Denmark, and investigations on the same lines are being carried out. The Spanish and Roumanian Health Services have applied for the assistance of the Health Organisation for the same purpose. Certain South American countries and Japan have done likewise.

May I congratulate the Netherlands delegation on the splendid results that have followed its proposal? As in the case of syphilis, the proposal has enabled the Health Committee to reach a number of valuable conclusions by comparing the data collected in various countries.

3. The same method has been applied with the same results by the Malaria Commission. This Commission, which was set up in 1923 and consists of the most distinguished malaria specialists, has conducted enquiries in the malarial districts of Europe, North America and Asia Minor, and, in a series of reports, has formulated a set of principles for directing anti-malaria measures. These principles, which were adopted by a Conference in June 1928, have already served as a guide to various health administrations that have applied to the Commission for assistance.

A few weeks ago a delegation of this Commission landed at Bombay at the invitation of the Government of India. In conjunction with the health authorities of the various provinces, this delegation will study the programme and results of the anti-malaria measures adopted in India.

These distinguished German, American, Spanish, French and Netherlands scientists will endeavour to establish with the Indian health services and Indian medical associations close and continuous co-operation which will benefit the Malaria Commission and, through it, the services of many other countries. The experience thus gained will be placed at the disposal of all those who are engaged in malaria work throughout India.

4. I would like here to mention the gratification of my Government at noting that its proposal, made in this Committee, to invite the Health Committee to consider how contact could be established between the various health services and sickness insurance organisations, has been fully carried out. The work of the Joint Commission of Enquiry, set up by the Health Organisation in conjunction with the International Labour Office, has been the starting-point for a close comparison of national experiences and has already led to the preparation of reports of undoubted value and to attempts in various countries to apply the conclusions reached. In my country, for instance, a special mixed committee has been set up to apply a general programme of co-operation between the various services, as suggested by the Joint Commission of the League of Nations' Health Organisation and the International Labour Office.

A report of the Health Committee shows that we shall have at our disposal the results of systematic enquiries instituted in the United States, of America regarding the important question

of the cost of medical care. The Joint Commission is also to give advice in the reorganisation of the health services of Greece.

5. It is a matter for congratulation that the Health Committee has sought the assistance of the International Labour Office, of the International Institute of Agriculture and of the International Institute of Statistics whenever its work so required.

6. These examples will suffice to show how the results of the Health Committee's enquiries are applied in the different branches of public health work.

7. The States Members of the League appreciate the opportunity afforded them of availing themselves of the experience acquired by the comparison of different national methods. Thus, in October 1928, the Greek Government sought the Health Committee's assistance in the reorganisation of its health service. This Government, which is undertaking an extensive programme of internal reforms, was confronted with the problem of public health, which is a fundamental factor in the economic restoration of the country.

After examining the programme of health improvement outlined by the Greek Government and after a careful survey of typical areas in Greece which lasted several months, the Health Committee submitted to the Government a series of recommendations on the matters referred to it.

These recommendations relate principally to the establishment and work of a modern Public Health Service, to the training of the personnel of that Service, to health instruction, to the campaign against malaria, and to other related questions.

The plan was accepted by the Greek Government, which obtained from the Chambers the legislative sanction required for putting it into force, and for the adoption of all the measures to carry out the recommendations.

A separate service, bearing the name of "Permanent Hellenic Health Service", will begin work in 1932 or 1933. A new health organisation of the Prefectures will be introduced in the districts selected for the application of the plan, which will extend to six districts during the first year and by about 1934 or 1935 will cover the whole country.

A school of hygiene and new technical services will be set up at Athens under the name of the "Athens Centre". The duties of this centre will be to train all classes of health personnel, to direct and administer the work carried on in the districts chosen for the application of the plan, and to advise the Government on public health questions.

The Greek Government, in appointing those in charge of the centre, had recourse to foreign experts for three of the professors' posts, one of them as director of the centre. The new services will therefore be able to give health experts both theoretical and practical training.

The anti-malaria dispensaries established in Macedonia by the Refugees Settlement Commission will also be transferred to the new organisation and converted into modern health centres.

Realising that the carrying out of this plan would necessitate methodical work demanding a great deal of technical preparation, the Greek Government asked that the Health Organisation's Commissions and Technical Services be placed at its disposal to the fullest possible extent in the subsequent development of the scheme.

The Second Committee will, I am sure, desire to pay a tribute to the wisdom and foresight of the Head of the Greek Government who is prepared to make the necessary financial sacrifices for the complete execution of the plan for the health reorganisation of his country.

My colleagues will appreciate the value of this example of international work.

A second example is provided by the Health Organisation's activities in South America. A few weeks ago the President of Bolivia submitted a similar request to the Council of the League, and the latter asked the Health Committee to comply with that request, which involves the sending of an expert of the Health Section to co-operate with the Bolivian Health Administration in studying the reorganisation of its services. Upon the completion of this preliminary work, which will last from six to eight months, the Health Committee will study the position with the Bolivian Administration and will select the expert who is to act as the Administration's adviser for two years.

We shall no doubt be informed of the results of this very commendable work at the next Assembly.

8. Lastly, in the course of the year, the Health Ministry of the Chinese National Government invited the Medical Director of the League of Nations to become a member of an International Committee of Technical Advisers. The invitation was accepted.

The Health Ministry of the Chinese National Government has just asked the League of Nations to send at the same time another expert, a member of the Health Section, with a view to beginning on the spot the study of various programmes of reconstruction which are being considered by this Administration in its desire to promote the rapid development of the internal organisation and resources of its immense country.

My colleagues will agree with me in expressing the hope that a plan of continuous co-operation with the Health Organisation will result from this first contact, and that it will have begun before next Assembly, when we shall be very interested to hear what progress has been made.

9. The Bolivian Government's request concerns all the health problems of that country, but in the study of leprosy the Health Committee will be able to assist many countries of Latin America next year.

At the last Assembly we considered the proposal that the Secretary of this Committee should go to South America. During his journey, which has now been concluded, he ascertained the wishes of the Health Administrations, and has suggested methods of applying them. It also provided an opportunity for discussing with the Governments, the experts and the Health Departments of all the countries of South America the details of enquiries into leprosy, infant mortality and syphilis, and of other methods of co-operation considered by the Eighth Assembly. The warm welcome given to the representative of the League is an indication of the interest taken by these countries in the work of the League.

It has thus been possible to arrange for continuous co-operation with the technical departments of the countries visited ; the value of the international studies of the Health Organisation will thereby be enhanced and the experience thus acquired will be utilised in the spirit which inspires all the League's work.

This work, which will be done in 1930, will fulfil the programme of co-operation with Latin America contained in a report adopted by the Eighth Assembly. The execution of the first stages of this programme was approved by the last Assembly.

In the budget estimates for 1930, which had to be submitted in the spring to the Supervisory Commission, it was not possible to include all the credits necessary for this work, nor was it possible to include them in the supplementary credits which had to be forwarded at the beginning of August to all the Governments. At that time, the journey, during which these enquiries were made, was still in progress ; it is only now, therefore, that a decision can be taken with regard to the extent of this essential liaison with the Health Administrations of the countries visited.

10. The Malaria Commission's journey to India and that of the Medical Director and his colleague to China are not the only examples of the Committee's work in the Far East.

The Leprosy Commission's studies must necessarily relate to the two or three main foci of this disease which exist in the world. Once the investigations in Latin America have been organised, the Commission will go on to the countries of the Far East, as decided by the Health Committee at its session in May 1928.

The Second Committee will learn with interest that the Japanese Government has invited the Leprosy Commission to meet next spring at Tokio ; the Secretary of this Commission will continue in certain Far-Eastern countries the studies begun in Latin America and report thereon.

Furthermore, the Advisory Council of the Singapore Bureau has accepted the very generous invitation of the Government of the Netherlands Indies to hold its session of February 1930 at Batavia as the Government's guest.

Apart from its duties as Epidemiological Intelligence Centre, the Singapore Bureau acts more and more as the Health Organisation's general agency for the Far East ; the Batavia meeting is therefore of particular interest.

I have no doubt that the Committee desires the Organisation's work in the Far East to be pursued. I need only remind it of the co-operation arranged with the Chinese Government. Nevertheless, I think we shall have to consider whether this co-operation can be undertaken within the limits imposed by the budget provisions for 1930. I am informed by the Secretariat that this is not possible, and I think we should give favourable consideration to an increase in these credits.

11. The Committee, at the request of the International Pacific Conference held at Melbourne in December 1926, was instructed to make a preliminary enquiry into health conditions in Papua, New Guinea, the New Hebrides, New Caledonia, the Solomon Islands and Fiji. It has completed its work, and its report, containing specific recommendations for a health policy for preserving the races on these islands, will be published shortly.

12. My colleagues will find in the annual report details showing the action taken as a result of the Second International Conference on Sleeping-Sickness, convened by the Council and held in Paris in November 1928.

On this occasion also the Health Organisation was asked to carry out a number of technical recommendations and specific tasks. Laboratory and experimental work in Equatorial Africa done by Belgian, British, French, German, Italian and Portuguese experts have yielded important technical results.

The Governmental Conference in Paris further proposed a serious study of the documents in the possession of colonial administrations with a view to drawing up a health programme, more particularly from the demographic point of view. We await with interest the development of those important enquiries.

13. I must not omit to mention the regular work of the Health Organisation, and I would refer in particular to the very important study tours — in Italy in the autumn of 1928 and in Denmark and the Netherlands during the present year ; the latter being specially devoted to problems of rural hygiene. I would also observe that an important tour is arranged for next year in France.

14. I must remind you that the Council of the League has referred to the Committee a resolution by the Health Committee with regard to the budget proposals of the Health Organisation for the year 1930. This resolution is as follows :

“The Health Committee :

“Having taken note of the budget proposals of the Health Organisation for the year 1930 ;

“Submits to the Council the desirability of drawing the attention of the Assembly to the fact that normal increases in the salaries of the staff should be taken into consideration in determining the total of the budget, as was the case in the 1929 budget;

“In this connection desires to point out that the stabilisation of the budget of the Health Organisation would otherwise involve a progressive diminution in the credits available for technical studies ; thus, in the budget proposals for 1930, these credits do not amount to more than 62.8 per cent of the total, whereas, for the year 1927, they amounted to 67.5 per cent, though there has been no increase in the personnel employed.”

The Health Committee's observations seem to me very sound, and I am inclined to recommend you to grant this request.

With regard to the general question, I may be allowed to put before you the facts of the situation.

The Sixth Assembly (1925) fixed the budget of the Health Organisation at a million francs. The Health Committee, after examining the situation, declared at the time that this stabilisation could only apply as long as the general budget of the League remained within the 1926 limits and as long as no new work was entrusted to the Committee.

During the past four years the work of the Health Organisation, approved at each stage by the Council, has rapidly grown. Not only has the Committee undertaken enquiries and examinations — asked for in the Assembly by thirteen delegations<sup>1</sup> and several States Members of the League — but it has, in consequence, had to extend its work more and more to extra-European countries, which, on the score of travel alone, involves very heavy expense.

Subsequent Assemblies have recognised the necessity of this extension of the Committee's work. I would remind you that, on the proposal of the Second Committee, the last Assembly congratulated the Health Organisation “on the increasing success of its far-sighted policy of practical collaboration with extra-European countries”; but I think the time has come for the Assembly to decide whether it wishes this work to continue or whether it should be reduced to proportions which would no longer satisfy in the same degree the requests for assistance submitted by non-European Members of the League.

During the present Assembly we have had fresh proofs of the attachment of those States to the League, both from the political point of view and from the point of view of their material contribution. I am sure that you share my opinion on the general question. Personally, I consider that the arguments in regard to the special questions are so strong that we should examine with the Fourth Committee the question of increasing the credits necessary for the work of the Health Organisation in Latin America and the Far East.

Should the Assembly not vote the supplementary credits needed for the proposed programme; of work, the result would be a delay of at least twelve months, which would be very regrettable, not only for the work itself but on general grounds. It is strongly in the interests of the League to show that its help is equally at the disposal of all its Members. It should also give proof of its desire to see the execution of work approved by the Council.

I would therefore propose that, after consulting the competent representatives concerning the amount required, we should recommend the Supervisory Commission and the Fourth Committee — subject to a detailed examination by the former — to grant the necessary credits.

\* \* \*

My report is, I fear, already too long. In conclusion, however, I may be allowed to submit to you, as a basis of discussion, the following draft resolution :

“The Second Committee :

“Notes with satisfaction the results achieved by the policy which the Health Organisation has persistently followed of concentrating on certain well-defined branches of international public health.

“It notes in particular that the Health Organisation systematically draws practical conclusions from the comparison of national experiences and places those conclusions at the disposal of Governments.

“It desires to express its appreciation to the health administrations of the different countries as well as to the members of the Health Committee and to the experts who have contributed to this work.

“It considers that the Health Organisation is pursuing, from an international point of view, a work of great importance, by co-operating and consulting with national health administrations in the different continents.

“It approves the work carried out by the Health Organisation since the last Assembly.

“It directs the special attention of the Assembly to the work of the Health Organisation in Latin America and in the Far East which necessitates the provision of supplementary credits.

“It approves the budget estimates relating thereto and forwards them for the favourable consideration of the Supervisory Commission and of the Fourth Committee.”

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<sup>1</sup> 1925 : Cuba, Czechoslovakia, France, Italy, Paraguay, Kingdom of the Serbs, Croats and Slovenes  
Venezuela ;  
1926 : Cuba, Czechoslovakia, Uruguay ;  
1928 : Finland, Poland, Sweden.

## ANNEX 7.

### WORK OF THE FINANCIAL COMMITTEE.

REPORT PRESENTED TO THE SECOND COMMITTEE BY M. GLIWIC (POLAND).

The work done during the year in the financial field, either by the Financial Committee itself or under its direction, falls into two categories : one dealing with subjects of a general character, *i.e.*, those which are not peculiar to any particular country ; the other with work done for special States.

The questions of a general character dealt with this year are : The purchasing power of gold, counterfeiting of currency and of other bills and securities, double taxation, the scheme for financial assistance in case of war or threat of war, the publication of monetary and banking laws, etc.

Work for particular countries was done in connection with : Greece, Bulgaria, the Saar Territory, Estonia, Danzig, Austria and Hungary.

I will not try to give in this report a complete review of all this work. Such a review is given in the general report on the work of the League since the last Assembly. Let me merely make some comments upon a few points of special interest.

I would like, in the first place, to make one general remark upon the change which is taking place in the character of the Committee's work. During the last year no new responsibility has been accepted for any work either of financial reconstruction or the establishment of refugees (the two categories of problems which for the six years following the Austrian reconstruction scheme constituted almost the whole work of the Committee). There has, of course, been a good deal of work in connection with tasks of this kind begun in earlier years. But the main interest of the year consists in the assumption of work of quite a different kind.

The fact is (and we may congratulate ourselves that it is so) that the stage of financial reconstruction of the kind needed in 1922 and the following years is passing or past. New developments take place ; new needs arise ; new institutions are planned or established, in the financial as well as in every other sphere of the world's activity. And amid this rapid change, we must expect that the work most appropriate for the Financial Committee will change also, adjusting itself to the needs of the time, supplementing and co-operating with other institutions, adapting its own methods as the new work requires. A good illustration is the question of the purchasing power of gold.

*Purchasing Power of Gold.* — This question of the purchasing power of gold is without any doubt a problem of the greatest importance. The fluctuations in the purchasing power of gold react on the level of prices and thus on the economic well-being of all countries of the world.

In certain circumstances they may bring the most serious economic disturbances in their train. It is therefore fortunate that the League of Nations is examining the problem. It is indeed so vast, so complicated and so bristling with difficulties that no nation alone can tackle it ; only a well-prepared, systematic international enquiry, such as the League of Nations can arrange, has any chance of successfully dealing with it.

During the year under review, the enquiry has been started. In agreement with the Council, the Financial Committee has appointed a delegation from amongst its own members, to which certain other experts of international authority have been added. The delegation is partly composed of persons who are, or recently have been, at the head of Central Banks, persons connected with other branches of finance, and certain economists known all over the world. Its terms of reference are "to examine and report upon the causes of fluctuations in the purchasing power of gold and their effect on the economic life of the nations". The delegation held its first preliminary meeting at Geneva during the last month, and on that occasion drew up a programme of work.

*Fiscal Committee.* — Upon the recommendation of the general meeting of Government experts on double taxation and tax evasion, at which twenty-seven Governments were represented, the Council decided in December last to create a Fiscal Committee, whose special task it will be to study taxation questions and advise the Council in regard to them ; in particular, all questions connected with double taxation and tax evasion. This Fiscal Committee forms a new permanent technical organ of the League. I would like to draw your attention to some special features of its organisation, which may be a useful precedent in other cases.

Two conflicting interests had to be met : on the one hand, the membership of the Committee had to be kept relatively small so as to make it an efficient and workable instrument ; on the other hand, it is essential for the Committee's success that it should be in contact with the taxation administrations of as many countries as possible. The following solution has been adopted : The Committee consists of twelve regular members appointed by the Council for a period of three years and representing, as far as possible, the various fiscal systems of the world. The Council may further appoint corresponding members — who will be kept informed of all the Committee's work — in all countries from which it has not appointed regular members. The Council has already, at its sessions of June and September, appointed some twenty corresponding members, all high officials in the various departments of finance.



I may add that close contact has been arranged with the Financial Committee. The latter will appoint two members on the Fiscal Committee, and reports of the Fiscal Committee to the Council will pass through the Financial Committee, which is entitled to add its observations.

*Liquidation of the Greek Refugee Settlement Commission.* — During the year under review, the Financial Committee has done a great deal of detailed work — which I can merely enumerate here — with regard to the settlement of refugees in Greece and Bulgaria and the monetary and budgetary situation of those two countries, as well as several others, such as Estonia and the Saar Territory. Work with regard to the problem of refugees in Bulgaria is progressing favourably. The few small difficulties which were bound to arise in connection with work of such scope have fortunately been overcome. I should like to take this opportunity to congratulate M. Charron and his colleagues on the work which is now being brought to a successful conclusion.

There is one other point I would like to mention in this connection, namely, the proposal to wind up the Greek Refugee Settlement Commission. The work for the refugees in Greece was begun in 1923 and is now drawing to a close. It has been agreed with the Greek Government that detailed proposals for the termination of the work will be submitted to the Council at its next session.

I would draw attention to the fact that it had always been a principle of the League to put an end to any association which involves a measure of financial control as soon as circumstances permit. You will remember that when, some years ago, the organs of financial control in Austria and in Hungary were wound up, many people feared that this was premature. The experience of the past years has shown the groundlessness of those fears, and how correct was the diagnosis of the Financial Committee when, in 1926, it advised the Council that financial control could be abolished.

The question of financial assistance is now being discussed by the Third Committee. Certain objections to the scheme have been put forward, but this is not surprising, since the conception of a war of aggression has not yet been definitely established and a new factor has been introduced by the conclusion of the Paris Pact, condemning war of every description.

In conclusion, I should like to say that the work of the Financial Committee during this year has shown those same qualities of soundness, thoroughness and conscientiousness of detail which have already been commended on several occasions by the Assembly, and I desire to express once again our appreciation of the work done by the Financial Committee and the Financial and Economic Section of the League.

I accordingly propose the following resolution :

“ The Assembly :

“ Takes note of and expresses its satisfaction with the work of the Financial Committee ;

“ Particularly appreciates that the study of the undue fluctuations of the purchasing power of gold has begun, and hopes that this most important work may contribute to the economic well-being of all nations.”

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## ANNEX 8.

### WORK OF THE COMMUNICATIONS AND TRANSIT ORGANISATION BETWEEN THE NINTH AND TENTH ORDINARY SESSIONS OF THE ASSEMBLY.

REPORT PRESENTED BY M. EDUARDO COBIÁN (SPAIN).

The General Report and the Supplementary Report of the Advisory and Technical Committee for Communications and Transit on the work accomplished by the Communications and Transit Organisations between the ninth and tenth ordinary sessions of the Assembly have already been circulated to the delegates.

It will consequently be unnecessary to give a summary of this work, which embraces practically all forms of communications. It seems preferable to mention a few of its main aspects and indicate the results which, in all probability, will shortly be obtained.

During the last year, the enquiry undertaken under the auspices of the Transit Committee into the question of competition between railways and waterways on the Rhine and Danube was completed, and the results will shortly be published<sup>1</sup>. At a time when, in the Assembly itself, problems connected with greater co-ordination between the economic policies of the various countries are constantly being discussed, it may be desirable to point out that, if it is found possible to organise international trade in Europe and throughout the world on a more satisfactory basis, there should also be a certain rationalisation of the means of communication, in Europe at least, and that the League of Nations' Transit Organisation should co-operate with the Economic Organisation for this purpose.

The last Assembly was informed of the steps taken by the Transit Organisation to regularise the status of commercial motor transport. As a result of the development in this form of transport a new set of international laws have to be framed. Last year, the Committee on Road Traffic set up by the Transit Committee discussed this subject, and it may be hoped that the results of the Barcelona Conference in 1921 and the Geneva Conference in 1923 may be carried a step further

<sup>1</sup> Document C.127.M.43.1929.VIII.

by the preparation of a Convention to ensure, under conditions still to be defined, the freedom of commercial motor transport.

The Committee on Road Traffic has continued its highly technical work with entirely satisfactory results. In the matter of the unification of road signals in particular, the Transit Organisation has rendered services which have been highly appreciated in many different quarters.

With regard to railway transport, the Transit Committee or its sub-committees have, during the whole of last year, acted mainly as organs of conciliation in disputes. Several disputes regarding the railways of Central Europe, which had been laid before the Council for the appointment of arbitrators were previously examined by the Transit Committee. In many cases the latter was able to secure a friendly agreement between the parties concerned.

The greatest success of the Advisory and Technical Committee as a conciliatory body was obtained in connection with the jurisdiction of the European Commission of the Danube. It will be remembered that difficulties had arisen between the French, British, Italian and Roumanian Governments regarding the jurisdiction of this Commission between Galatz and Braila. After long negotiations and after certain legal points had been submitted to the Permanent Court of International Justice for an opinion, an agreement was reached between the parties concerned, with the help of a Committee appointed by the Transit Committee. It is to be hoped that this agreement, which has already been initialled by the delegates of the countries concerned, will be put into force at the earliest possible date.

This year the Transit Organisation convened a special Conference on Transit Cards for Emigrants. As a result of this Conference, an agreement was concluded which will shortly come into force, under which emigrants in transit through European countries will no longer have to obtain a transit visa and will consequently be able to travel with fewer formalities and charges.

Generally speaking, the results obtained by the Transit Organisation in the matter of passports and identity documents have been particularly satisfactory since the last Passport Conference in 1926 and the last General Conference on Communications and Transit, which considered the question of identity documents for persons without nationality. The enquiries have shown that steady progress has been secured through the adoption by almost all the countries concerned of the recommendations of these Conferences, particularly the adoption of the recommendations on identity documents for persons without nationality or of doubtful nationality.

Before the end of the year, a further Conference will meet to study the problem of the transport of newspapers and periodicals in Europe. This Conference has been convened as a result of the studies undertaken by the Transit Committee in order to facilitate the execution of the Resolutions of the Conference of Press Experts, which met in August 1927. At the Conference will be present the representatives of Governments and of the various Customs or railway administrations concerned, as well as representatives of newspaper proprietors, and newspaper and periodical forwarding agencies. Railway and Customs experts have already prepared proposals as a basis for the discussions of the Conference.

The Transit Committee has completed the preparatory work for Conferences which it is proposed to convene next year. One of these is a Conference on certain questions connected with river law in Europe. The research work that has already been reported to previous Assemblies is now so far advanced that a Committee of Specialists has been able to prepare draft conventions on the questions of registration, mortgages, nationality, collisions, etc. This Conference will undoubtedly mark important progress in the unification of the legal provisions applicable to river navigation in Europe. It will render services to those engaged on inland navigation comparable to those rendered by the previous Conference on the Unification of Measurement of Vessels engaged in Inland Navigation. The other forthcoming Conference is of interest to all maritime countries. It will deal with the unification of buoyage and the lighting of coasts. Following on the very minute technical enquiries which have been conducted with the assistance of most countries concerned, including the United States of America, a draft has been prepared, which will probably be the basis of an agreement at the Conference. This agreement would simplify the conditions of maritime navigation, and would also affect safety of life at sea.

The Transit Committee has so often been called upon to deal with questions of a purely European character that it is particularly glad to note the interest shown by countries in all continents in its work in connection with maritime navigation.

The work in regard to air navigation to be undertaken by the Transit Committee will no doubt also be universal in character. The last General Conference on Communications and Transit requested the Transit Committee to examine the whole problem of the international organisation of air navigation. Moreover, the Assembly, on the proposal of the Civil Aviation Committee of the Preparatory Commission for the Disarmament Conference, asked the Transit Committee to examine the various methods of improving co-operation between the civil aviation undertakings of the various countries. This, again, is a question of communications and transit calling for economic co-operation between nations. The recent progress in air navigation seems to make it all the more necessary to institute an impartial enquiry into the economic results so far obtained in the various countries, in order to ascertain whether closer co-operation between them would not ensure a more satisfactory result, and at the same time put an end to the growing rivalries which may one day affect international relations. The Transit Committee has arranged for a special committee consisting of nationals of the countries most closely concerned, whether Members of the League or not, to meet early next year. This Committee might also study to what extent the present air traffic regulations actually comply with the principle of freedom of communications

and transit laid down in the Covenant. It will be the duty of this Committee to consider how far it is possible progressively to internationalise air navigation, which appears to hold out the best opportunity for co-operation between nations.

The Transit Committee's report finally mentions the great progress that has been made in the enquiries into the question of the simplification of the calendar and the stabilisation of Easter. Following the procedure suggested by the Transit Committee, national committees of enquiry have been set up in a large number of countries, more especially on the American continent. The report of the United States National Committee has just reached the Secretariat. It contains objective data — mainly economic — and concludes by stating that the Government of the United States of America is prepared to take part in a conference to be convened for the examination of these problems. It seems highly probable that, in 1930, Committees of Enquiry will have been established in most countries and that their reports will be received in the course of that year. Further, a Bill concerning the stabilisation of Easter has been passed in Great Britain. The Congress of the International Chamber of Commerce recently held at Amsterdam requested the League, in a special resolution to summon a conference to submit recommendations on these problems. For the reasons mentioned above, the immediate convocation of such a conference does not seem advisable. Moreover, as an Œcumenical Council is likely to be held shortly it would be desirable to collect the authentic and collective views of the lay population of the various countries, in order to assist the religious authorities who alone are competent to decide this question. It is, however, doubtful whether a special conference is necessary. The Communications and Transit Organisation is to hold its Fourth General Conference in 1931. It is within the normal powers of this Conference to examine all the work done under the auspices of the Organisation since the last Conference. It is therefore competent to examine reports received either on the question of the stabilisation of Easter or on that of the simplification of the Gregorian calendar and to consider what recommendations might be made to Governments. Consequently, it would only be necessary to place these questions on the agenda of the Fourth General Conference on Communications and Transit which could express the opinion of the Governments and of those specially interested on the question of the stabilisation of Easter, leaving the religious aspects of the problem out of account altogether. The Conference might also examine the results of the studies undertaken on the question of the simplification of the Gregorian Calendar with a view to giving at all events a preliminary opinion as to whether it is desirable to simplify the calendar and if so, in what manner.

I have the honour to submit the following draft resolution :

“ The Assembly :

“ Has reviewed the work of the Communications and Transit Organisation carried out between the ninth and tenth ordinary sessions of the Assembly.

“ It is gratified to find that, thanks to the work done during the last years by the Advisory and Technical Committee, a Conference can be summoned in 1930 for the Unification of Questions of River Law in Europe and also a Conference of Maritime Countries for the Unification of Buoyage and Lighting of Coasts. It trusts that, as a result of these Conferences, navigation facilities will be increased.

“ The Assembly attaches particular importance to the meeting of the Special Committee to enquire into questions of civil air navigation which the Advisory and Technical Committee proposes to hold early in 1930 for the purpose of ensuring the closest co-operation between the civil aviation undertakings of the various countries.

“ It notes the great interest taken by the economic circles of various countries in the studies undertaken regarding the simplification of the calendar, and also the establishment of national committees to enquire into this question. The Advisory and Technical Committee is requested to place on the agenda of the Fourth General Conference on Communications and Transit the consideration of any recommendations which may be made as a result of these enquiries.”

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## ANNEX 9.

### BANK FOR INTERNATIONAL SETTLEMENTS.

The Norwegian delegation has the honour to communicate hereunder to the members of the Second Committee certain extracts from the “Young” Plan concerning the General Functions of the Bank for International Settlements :

#### A. *Functions of the Bank.*

(a) . . . to contribute to the stability of international finance and the growth of world trade (Part 6, paragraph 55).

(b) . . . opening up new fields of commerce, of supply and of demand (Part 6, paragraph 55).

(c) . . . augment and perfect existing arrangements for carrying through international settlements (Part 6, paragraph 56).

(d) Intermediate credit operations need not be restricted to any one country or to the purchase of any one country's goods. On the contrary, it would be desirable to broaden such

operations in the interest of world trade to the extent that the Directors of the Bank approve. As a stabilising factor in the foreign exchanges its advantages are obvious (Part 6, paragraph 71).

(e) . . . The Bank should go far to eliminate the costs and risks now incurred in the shipping and reshipping of gold (Part 6, paragraph 71).

(f) Deposits from Central Banks . . . may be either current account deposits or investment account deposits (Annex I, paragraphs 41 and 43).

(g) The Bank shall have the right, subject to such terms and conditions as the Board of Directors may set down, to accept deposits from Central Banks for the purpose of establishing and maintaining a fund for settling accounts among them (Annex I, paragraph 44).

(h) The Bank shall have the right to pay interest on deposits (Annex I, paragraph 48).

(i) The Bank may . . . have the right . . . to deal directly with Central Banks (Annex I, paragraph 50).

(j) The Bank may have the right . . . to deal through Central Banks which have agreed to act as its agent and correspondent (Annex I, paragraph 51).

(k) The Bank may have the right . . . to deal with banks, bankers, corporations and individuals of any country in performing any authorised function, provided the Central Bank of that country does not enter objection (Annex I, paragraph 52).

(l) The Bank may perform such functions as . . . to buy and to sell coin and bullion, to earmark gold for the account of Central Banks and to make advances to Central Banks on gold as security (Annex I, paragraph 54).

(m) . . . to buy and to sell for its own account . . . bills of exchange and other short-term obligations of prime liquidity (Annex I, paragraph 55).

(n) . . . to rediscount for Central Banks bills taken from their portfolios, to make loans to them on the security of such bills, or to make advances to them against the pledge of other securities (Annex I, paragraph 57).

(o) . . . to buy and to sell for its own account intermediate or long-term securities (other than shares) . . . Its holdings of such securities at any one time shall not exceed the total of its paid-in capital and reserve funds (Annex I, paragraph 58).

(p) . . . general powers to make and realise upon investments for its own account at any time, subject to the provision that such investments are to be made with the assent of the Central Bank concerned (Annex I, paragraph 61).

(q) . . . to issue its own obligations at long or short term, secured or unsecured, for the purpose of re-lending to any Central Bank (Annex I, paragraph 62).

(r) The Bank shall have the power to act as trustee under any trust agreement entered into by it with the approval or on the initiative of its Board of Directors (Annex I, paragraph 71).

(s) The Bank shall be qualified, on terms to be mutually agreed upon, to act as agent and correspondent of any Central Bank and to appoint any Central Bank to act as its agent and correspondent (Annex I, paragraph 92).

#### B. *Quotations of a General Character.*

(t) The purpose of the Bank is to provide additional facilities for the international movement of funds and to afford a ready instrument for promoting international financial relations (Annex I, paragraph 3).

(u) In the natural course of development it is to be expected that the Bank will in time become an organisation, not simply, or even predominantly, concerned with the handling of reparations, but also with furnishing to the world of international commerce and finance important facilities hitherto lacking. Especially it is to be hoped that it will become an increasingly close and valuable link in the co-operation of central banking institutions generally—a co-operation essential to the continuing stability of the world's credit structure (Part 6, paragraph 74).

### ANNEX 10.

#### LETTER FROM M. KETO, FINNISH DELEGATE.

At the request of the Chairman of the Second Committee, the following letter from M. Keto, Finnish delegate to the Second Committee, is given as an Annex to the Minutes.

[*Translation.*]

Geneva, September 24th, 1929.

I desire to inform you that I feel the same concern in regard to the organisation of the proposed International Bank as a large number of other delegates who spoke in the Second Committee. If I had stated my views, I, too, should have said that this matter would not have been raised if the founder States had limited their action to framing proposals for a bank which would deal only with reparation payments. In that case, the organisation of the International Bank would not concern States other than the founder States. The non-founder States are, however, also concerned with this matter the moment it is proposed to extend the scope and functions of the suggested Bank in such a way that it may become, at least in the future, a sort of International Central Bank. As the Bank would, if organised on the lines indicated in the experts' scheme,

vitaly influence the national economy of all countries and necessarily exercise political functions in addition to functions which are clearly of an economic character, it was only natural that representatives of the non-founder States should deal with the question of the manner in which they might express their views on the composition of the administrative organs and the activities of the proposed Bank. As the League of Nations is the connecting link between the great majority of countries, this organism was obviously thought of as a means of co-ordination.

I should have liked to support the speakers who emphasised the necessity of co-operation between the League and the proposed Bank. After the withdrawal of the resolution of the Norwegian, Danish and Polish delegations, and after M. Loucheur's statement, there would certainly have been no further need to consider in detail the form of this co-operation. Incidentally I should have liked, however, to state that in Finland there is a very intimate connection between the Central Bank and a political organ—the Bank of Finland is administered by the Finnish Parliament—and that this system has been in operation for over fifty years and is working well. I have no desire to draw any conclusions from this case regarding the nature of a possible co-operation, and I should have mentioned it only to show that co-operation of any kind between a Central Bank and a political organ is not impossible.

In conclusion, I should have liked to say that, after M. Loucheur's statements, the non-founder countries could, in my opinion, reserve their views until they had before them the actual Statutes.

I desire to submit my views to you, and I should be greatly obliged if you would append the present letter as an annex to the Minutes of the Second Committee.

*(Signed) J. W. KETO,*  
*Finnish Delegate to the*  
*Second Committee.*

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Cttee. = Committee. Int. = International. Org. = Organisation.

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