"Considering, moreover, that, in certain countries, legislative measures have been taken setting up a national system of supervision for the manufacture of and trade in arms;

"Decides:

"(1) To communicate the text of the draft Convention on publicity for national defence expenditure and the working of an organ of supervision and co-ordination to all the Governments which are or have been represented at the Conference, with the request that they inform the Secretariat of the Conference whether they are prepared, in principle, to accept a system of publicity based on that Convention;

"(2) To meet again on a date to be fixed by the Council of the League of Nations, for the purpose of considering the replies from the Governments, discussing the draft Convention on publicity for national defence expenditure, and deciding upon appropriate measures;

"(3) To instruct the Secretariat to collect and communicate to the members of the Bureau any useful information obtainable as to the present position in regard to the national control of the manufacture of and trade in arms in the principal countries." ¹

II. NAVAL QUESTIONS.

On May 6th, 1936, the Secretary-General invited the Governments of States Members of the League non-signatories of the London Naval Treaty of March 25th, 1936, to communicate to the United Kingdom Government, either through his agency or direct, any observations they might wish to offer on its text.²

During the year which has gone by since the last session of the Assembly, replies from Ecuador and Yugoslavia have been received and communicated to the United Kingdom Government, which brings the total number of communications received up to thirteen.

* * *

At the meeting of the Bureau of the Conference for the Reduction and Limitation of Armaments held on May 31st,


1937, the United Kingdom delegation communicated to the Members of the Bureau a memorandum on naval questions.\(^1\)

In that memorandum, after mentioning the communication to the non-signatory States of copies of the London Naval Treaty of 1936, the United Kingdom Government points out that, in view of the international situation, it does not consider that a general naval conference could be usefully convened. It has, on the other hand, adopted the standpoint that the conclusion of bilateral agreements with such Powers as have shown particular interest in naval disarmament would best serve to pave the way for a general treaty which might eventually be signed at Geneva under the auspices of the League of Nations. In order to apply this policy, the Government of the United Kingdom in the first place opened negotiations with the German and Soviet Governments, with a view to reaching bilateral agreements on the basis of the London Naval Treaty, 1936. Negotiations on this subject have now reached an advanced stage, and it is hoped that agreements may be concluded simultaneously by Germany and the Union of Soviet Socialist Republics with the United Kingdom at no distant date. In addition to these negotiations, the Government of the United Kingdom opened similar conversations with the Governments of Poland, Turkey, Finland, Denmark, Norway and Sweden. The texts of any bilateral agreements that may thus be concluded will be communicated to the Secretary-General of the League of Nations.

Lastly, the Government of the United Kingdom in its memorandum points out the obstacles at present standing in the way of the conclusion of a general agreement on the reduction of the maximum calibre of guns, in conformity with the stipulations of the London Naval Agreement of 1936. In view of these obstacles and also its desire to make at an early date fresh progress as regards bilateral agreements with Germany and the Union of Soviet Socialist Republics, the United Kingdom has up to the present refrained from proceeding to the ratification of the London Naval Treaty of 1936, which, so far, has been ratified only by the Government of the United States of America.

\(^1\) See document Conf.D./Bureau 74.
III. PUBLICATIONS EDITED BY THE SECRETARIAT.

The thirteenth edition of the Armaments Year-Book will be published in October 1937. It will contain monographs on sixty-four countries and will be prepared on the basis of official publications (official military bulletins, laws, decrees, budgets, statistical year-books) and of information supplied by certain Governments concerning the position of their armaments.

The twelfth edition of the Statistical Year-Book of the Trade in Arms and Ammunition was published in October 1936. The thirteenth edition will appear in October 1937. It will contain information regarding sixty-one countries and sixty-one colonies, protectorates and mandated territories, compiled from official publications.
5.

PROTECTION OF MINORITIES.

I. PROTECTION OF MINORITIES IN ROUMANIA.

Petitions from Dr. André Gaal concerning the Pensions of Former Officials and Pensioners of the Administration of Ciuc Private Property.

The Council decided, on January 26th, 1937 (ninety-sixth session),\(^1\) to postpone this question to its next session. It had been placed on its agenda at the request of the representatives of the United Kingdom, Ecuador and France, the members of the Minorities Committee set up in virtue of the Council resolution of October 25th, 1920, to examine the petitions in question.\(^2\)

On May 28th, 1937, the Council proceeded to an examination of the case, which was outlined in a report by the Spanish representative, Rapporteur on minorities questions.\(^3\)

The Rapporteur began by reminding the Council of the practical solution it had found for the question of the settlement of the disputes relating to the Private Property of Ciuc on September 27th, 1932, and particularly of the fifth proposal contained in the report then submitted to the Council. He next described the case as it was now submitted to the Council, summarising it under the following three definite heads:

1. Payment of Pensions to Officials or Pensioners of the Former Administration. — In this connection, the petitioner alleged that only ten of the twenty-two persons concerned had received

---

\(^1\) See Official Journal, February 1937, page 103.
\(^3\) Ibid., page 314.
a pension, and that only since 1935; the heirs of three of them had been refused the payment of the pensions due to their deceased relatives.

2. Payment of Pensions in Arrear in the Form of State Bonds. — The petitioner stated that he had refused payment of arrears on his pension in State bonds, because he considered that, since no reference to the manner of payment was made in the Council’s 1932 resolution, the only possible interpretation was that payment should be made in cash.

3. Amount of Pensions. — The petitioner claimed that a “war bonus” and a “family allowance” introduced in 1919 by the Pensions Regulations of the Administration of the Property, with a clause stipulating that these grants should be taken into account in calculating retiring pensions, had not been taken into consideration by the General Pensions Fund of the Roumanian State, notwithstanding the provision in the Council’s 1932 resolution that former officials should receive pensions in accordance with those Regulations, and although the pensions of all the retired officials of the Roumanian State in Transylvania had been calculated on the basis of emoluments in which these two special allowances were included.

The Roumanian Government submitted its observations regarding the petitioner’s allegations in an aide-mémoire which was communicated to the Council. The Government’s replies regarding the three points mentioned above may be summarised as follows:

Ad 1: The competent authorities had not decided on the three cases concerning the heirs of officials, owing to the absence of the necessary documents proving the right of those persons to a pension. The negative decision originally taken had been cancelled, and steps had been taken to pay pensions to those concerned. As regards the other nineteen cases, the claims had been recognised before May 1935.

Ad 2: The Finance Minister’s decision to pay arrears in State bonds was perfectly justified, but notwithstanding, the Roumanian Government had taken steps to make the payments in question in cash.

Ad 3: The amendments made in the Pensions Regulations of the Private Property Administration had never been approved, as they should have been, either by the Hungarian Government or by the Roumanian Government. They were therefore null and void. Moreover, the pensions of the former officials of the Ciuc Property had been calculated in the same way as those of all the officials of the Roumanian State had been since 1919.

Having thus examined the matter in its principal aspects, the Rapporteur concluded as follows:

"Summarising the position as regards the number of pensioners whose pension rights have been admitted, the Roumanian Government states that the twenty-two pensioners' or officials' claims have been met, and that they will receive a pension in future. The heirs of those officials who have in the meantime died will be entitled to payment of the pension up to the date of death.

"As regards the payment of arrears from 1923 until the date on which the persons concerned will receive a regular yearly pension, the Roumanian Government has taken steps to enable this payment to be made in cash.

"With regard to the amount of the pensions, I do not think the Council will desire to go into the details of this question, especially as in the absence of certain data it is not possible to ascertain exactly where the discrepancy lies between the petitioners' claims and the basis on which the Roumanian authorities propose to fix the amount of the pensions to be allotted to each of them. In my opinion, the report of the Japanese representative to the Council, dated September 22nd, 1932, contains explicit and clear indications for the final settlement of this matter:

"The Roumanian Government explained to the Committee, on this point, that all legal or administrative measures adopted since 1923 in regard to the fixing of the amount of the retiring pensions of public officials would also be applied to pensioners and officials of the Ciuc Property; in other words, any person who was an official or pensioner of the Property in 1923 would now receive the same pension as was at present paid to a retired public official whose pension in 1923 was of the same amount as that received by the said official or pensioner of the Property. Similarly, all special provisions contained either in Roumanian law or in the Statute of the Property in regard to retirement following on the abolition of posts would be applied to the officials of the Property in 1923.'
“These principles, to which the Roumanian Government has already subscribed in favour of the officials in question, will therefore serve as a guide in fixing the pensions due to them. The Council is anxious that they should at all times be observed.

“As the report, the execution of which forms the subject of the present petitions, was adopted on September 27th, 1932, the Council has no doubt that the Roumanian Government will recognise the importance of applying these principles in full at the earliest possible moment.”

The Council adopted this report, and the question was thus closed.

II. EXAMINATION OF PETITIONS BY MINORITIES COMMITTEES.

During the period covered by the present report, Minorities Committees have met regularly during the Council sessions. Whenever the examination of a petition has been closed without the members of the Committees concerned requesting that the question should be placed upon the Council’s agenda, the other Members of the Council have been informed by letter of the result of such examination. In several cases, these letters, with the consent of the Government concerned, have been published in the *Official Journal*\(^1\) in accordance with the Council’s resolution of June 13th, 1929.

In accordance with the same resolution, statistics have also been published in the *Official Journal*\(^2\) indicating the number of petitions received by the Secretariat of the League of Nations during the year, the number of petitions declared to be non-receivable, the number of petitions declared to be receivable and referred to Minorities Committees, the number of Committees which have examined petitions together with the number of meetings they held, and the number of petitions the examination of which Committees have completed in the course of the year.

---


\(^2\) The statistics for the year 1936/37 are contained in the issue of July 1937.
6.

MANDATES.

I. COMPOSITION OF THE PERMANENT MANDATES COMMISSION.

On September 19th, 1936, the Council appointed Lord Hailey, Director of the African Research Survey, former Governor of the Punjab and the United Provinces of Agra and Oudh, to be a member of the Permanent Mandates Commission in the place of Lord Lugard, resigned.

On this occasion, M. Beck, representative of Poland, expressed the hope that the composition of the Mandates Commission might be considered with a view to enlarging it, so that other countries which, for various reasons, were interested in certain questions discussed by the Commission could be represented upon it.

On May 29th, 1937, the Council noted with regret the death of M. Manceron, the French member of the Permanent Mandates Commission. It appointed as his successor Governor Augustin Giraud, of French nationality.

II. FRONTIER BETWEEN TANGANYIKA TERRITORY AND MOZAMBIQUE.

On December 22nd, 1936, the Government of the United Kingdom, the mandatory Power for Tanganyika, submitted to the Council a joint request from the Governments of the United Kingdom and Portugal, seeking approval of the Agreement, dated May 11th, 1936, defining the frontier between Tanganyika and Mozambique.

On January 22nd, 1937, the Council declared its willingness to examine the Agreement with a view to approval, and invited
the Permanent Mandates Commission to communicate its opinion on the Agreement from the point of view of the execution of the mandate.


On September 26th, 1936, the Council considered the documents relating to the work of the twenty-ninth session of the Permanent Mandates Commission, together with a report on the subject by the representative of Roumania.

A. Observations on the Administration of the Mandated Territories.

The Council decided to communicate, in each case, to the Government of the mandatory Power concerned, the Commission's observations on the administration of the territories for which it had examined the mandatory Powers' annual reports (Palestine and Trans-Jordan 1935; Syria and Lebanon 1935; Tanganyika 1935; South West Africa 1935; New Guinea 1934/35; Nauru 1935) and to request the Governments to take the action asked for by the Commission.¹

In its general observations on Palestine submitted to the Council, the Mandates Commission had expressed the hope that, when peace had been restored in the territory, the mandatory Power would be good enough to furnish it, at its session in the autumn of 1936, with information as to the recent disturbances and their immediate causes, even if the mandatory Power was not yet in a position on that date to define its policy in the light of the proceedings of the Royal Commission appointed by the United Kingdom Government. In this connection, the representative of the United Kingdom informed the Council that His Majesty's Government would not be in a position to furnish the Mandates Commission with the desired information until the receipt of the Royal Commission's report. The representative of the Mandates Commission stressed the point

¹ For a summary of the work of the Mandates Commission at its twenty-ninth session, see document A.6(a).1936, page 27.
that the Commission had asked that it might be given the information at its autumn session, hoping, as it did, that the disturbances in Palestine would have come to an end and that the mandatory Power would then be in a position to enlighten it.

The Council took note of the statement made by the representative of the United Kingdom and the observations of the representative of the Mandates Commission.

As regards Syria and Lebanon, the Council was informed by the representative of France that the negotiations opened in April 1936 in Paris with a Syrian delegation had resulted in the drafting of a Franco-Syrian treaty on September 9th, 1936. That treaty, he stated, would be submitted to the Syrian Parliament for ratification directly after the elections and the formation of a constitutional Government in Syria. It would not be valid until it had been signed by the Syrian plenipotentiaries appointed by the future constitutional Government. The text was based, in its essential features, on the Anglo-Iraqi Treaty of 1930, but it also contained clauses in which Syria undertook to guarantee the existing autonomous regimes and to ensure equality of rights for individuals and all communities. The new regime of full independence and sovereignty was not to come into force until Syria had been admitted to the League of Nations. Syria would only apply for that admission to take effect three years after the ratification of the treaty. The representative of France added that his Government intended to lose no time in negotiating a similar agreement with the Government of Lebanon.

The representative of Roumania, who was Rapporteur, proposed that the Council should take note of this statement. He added that the Mandates Commission would, in due course, examine the texts and all other relevant information supplied by the mandatory Power, in the light both of the general and particular rules applicable to the case.

B. Petitions.

The Council approved the Commission’s conclusions concerning the petitions, numbering one hundred and seventy, which it had examined, and decided to bring them to the knowledge of the mandatory Powers and of the petitioners concerned.
IV. Work of the Permanent Mandates Commission at Its Thirtieth Session (October-November 1936) and Decision taken by the Council on January 25th, 1937.

A. Special Questions.


The Commission informed the Council that, being anxious not to delay unduly its consideration of the disturbances in Palestine, it deemed it necessary to hold an extraordinary session for the purpose, to be convened early in April 1937. This decision was approved by the President of the Council. On January 25th, 1937, the representative of Roumania, Rapporteur, informed the Council of an agreement reached between the mandatory Power and the Mandates Commission to convene the extraordinary session for May 31st, 1937. The Council took note of this arrangement.

In a letter dated March 25th, 1937, the Government of the United Kingdom stated that there was no possibility of the report of the Royal Commission and the decisions of His Majesty's Government in regard to it being available for consideration by the Mandates Commission by May 31st, 1937. It suggested that the extraordinary session of the Commission should be postponed until the end of July 1937. The President of the Council, in agreement with the representative of Roumania, Rapporteur, and the Mandates Commission, approved this proposal.

2. Question of the Participation of Mandated Territories in Measures taken by the Members of the League of Nations under Article 16 of the Covenant.

In its report to the Council, the Commission mentioned that the question of the participation of mandated territories in measures taken under Article 16 of the Covenant in regard to a Member of the League had been raised at its previous session. The Commission considered, at its thirtieth session,
whether it was desirable at that stage to undertake an investigation of the problem. It came to the conclusion that there was a close connection between this question and the question of the application of the principles of the Covenant, which had been referred to a special Committee set up by the Assembly. That being so, the Commission thought it better to defer its examination for the time being. The Council took note of the Commission’s decision.

B. Observations on the Administration of Mandated Territories.

The Commission made various observations on the administration of the territories dealt with at its thirtieth session (Cameroons and Togoland under British mandate 1935; Cameroons and Togoland under French mandate 1935; Ruanda Urundi 1935; Islands under Japanese mandate 1935; Western Samoa 1935/36).

Territories under B Mandate.

Cameroons under British Mandate.

The Commission noted that the mandatory Power was prepared to proceed shortly to the demarcation on the ground of the eastern frontier of the mandated territory.

It noted that the mandatory Power had “never found any reason hitherto for introducing tariff legislation in the territory permitting of discrimination between those States which are and those States which are not Members of the League of Nations”, and that “no change of policy is contemplated in this respect as a consequence of the departure of Japan and Germany from the League of Nations”. The Commission expressed the hope that it might be informed whether the mandatory Power considered itself legally obliged to apply the rule of economic equality to imports from those countries.

The Commission hoped that it would prove possible to intensify administrative action, particularly by developing means of communication, the need for which seemed to be urgent in certain parts of the territory.
It asked to be informed of the steps taken to enable the natives to get their full share in the prosperity arising out of the improved trade of the territory.

The Commission also asked for fuller information concerning the native authorities, the training of the chiefs, their activities and the supervision exercised over those activities, and also concerning public finance and land tenure.

_Togoland under British Mandate._

The Commission expressed the hope that it might be informed whether or not the mandatory Power considered itself legally bound to apply the rule of economic equality to imports from countries which ceased to be Members of the League of Nations in 1935.

It realised that it was difficult, by reason of the Customs union with the Gold Coast, to compile trade statistics for the whole of the territory. Nevertheless it suggested that it might be possible to keep some check upon imports and exports in the south to permit of compiling at least approximate statistics.

As regards education, the Commission once more expressed the hope that the state of affairs in the northern section of the territory might be changed, more particularly by the establishment of schools in the territory itself.

It hoped that the Administration would succeed in putting down illicit distillation in the north of the territory.

Lastly, the Commission asked for further information concerning the system of direct taxation, the institution of native treasuries, labour and land tenure.

_Cameroons and Togoland under French Mandate: Observations common to Both Territories._

The Commission took note of the conclusion reached by the mandatory Power that the latter was not required to extend the benefit of economic equality to imports coming from States no longer Members of the League of Nations. It noted, however, that no change had so far been made in the previous regime.

The Commission asked for further information on public finance and land tenure.
Cameroons under French Mandate.

The Commission asked for additional particulars regarding the powers of the native authorities and native co-operative societies.

Togoland under French Mandate.

The Commission mentioned that, when about to consider the annual report for 1935, it had learned that the mandatory Power had been proceeding with the administrative reorganisation of the territory without, however, interfering with the territory's individual character. The Commission decided to wait until a later date before judging of the results of these successive measures.

The Commission was glad to note that there had been an appreciable improvement in the territory's financial situation.

Ruanda-Urundi.

The Commission wished to know what treatment the mandatory Power proposed to apply to imports of products from States which had ceased to be Members of the League of Nations. It noted with satisfaction the mandatory Power's declaration that the provisions of the Ordinance of January 27th, 1934, concerning Air Navigation, to which its attention had been given in 1935, were not such as in any way to infringe the rule of economic equality.

It noted with interest a statement by the mandatory Power to the effect that the mandated territory had in general continued to benefit from the effects of its Customs union with the Belgian Congo.

In the matter of general administration, the Commission stated that it would follow with particular interest the measures taken for training future chiefs.

The Commission noted a slight improvement in the financial position of the territory, which had previously caused it some concern and which was still difficult owing to the size of the public debt. It expressed the hope that economic development, the prospects of which were favourable, would shortly enable the amortisation of this debt to be taken in hand.
The Commission noted the explanations furnished by the mandatory Power with regard to the organisation of teaching in the Astrida official school, where education is given to future native auxiliaries of the Administration and to a number of chiefs' sons. It observed with satisfaction the efforts of the Administration to take the principle of freedom of conscience into account in the organisation of the teaching in this school.

Territories under C Mandate.

Islands under Japanese Mandate.

The Commission noted with satisfaction that the mandatory Power was considering the preparation of a programme to ensure that the natives should participate to a greater extent in the growing prosperity of the territory. It will follow with interest the progressive execution of that programme.

Being concerned by the difficulty of preventing the consumption of alcohol and spirituous liquors by the natives owing to the system of production, export and import of alcohol and spirituous liquors in force in the territory, the Commission expressed the hope that the measures taken to ensure observance of the prohibition might be strengthened.

The Commission learned that an enquiry had been conducted by public health experts into the decline in the native population of the Island of Yap. It expressed the hope that the findings of this enquiry might enable the competent authorities to deal with the causes of a phenomenon the gravity of which has already frequently engaged the Commission's attention. It also expressed a desire to be kept informed of the action taken in the matter.

The Commission asked for further information regarding the mandatory Power's conception of the part to be played in the administration by natives, the powers of the chiefs and the relations of the latter with their people. It also asked for additional particulars concerning land tenure.

Western Samoa.

The Commission was informed that, since the close of the administrative year 1935/36, the mandatory Power had adopted
a policy designed to secure the effective co-operation of all sections of the population of the territory with the Administration. As the events in question took place after the close of the period covered by the annual report, the Commission felt that it should reserve judgment upon them until it was in possession of fuller information as to the manner in which the changes were promulgated, the results of these changes and the reaction of the population.

The Commission was gratified to note a marked improvement in the financial situation of the territory.

As regards education, it hoped that it might be possible to allocate larger credits for native education.

Lastly, it stated that it would be glad to receive fuller information about the missions working in the territory.

* * *

The Council decided, on January 25th, 1937, to communicate the Commission’s observations in each case to the Government of the mandatory Power concerned, with the request that it should take the action proposed by the Commission. It noted that the Commission’s observations conveyed the impression that, generally speaking, the financial and economic situation of the territories whose administration was examined was improving. It also noted that the Commission was anxious that the mandated territories to which the rule of economic equality applies should enjoy the benefit of reciprocity to the greatest possible extent.

On this occasion, an exchange of views took place between the representative of New Zealand on the Council and the representative of the Mandates Commission as to the sense and scope of the discussions in the Commission on the changes which had recently occurred in the policy of the mandatory Power in Western Samoa.

C. Petitions.

The Commission examined eleven petitions relating to Syria and Lebanon and to the Cameroons under French mandate. None of them gave rise to a special recommendation to the Council. The Commission’s conclusions on the petitions were
approved by the Council, which asked that they should be brought to the knowledge of the mandatory Powers and of the petitioners concerned.

Consideration of the petitions relating to Palestine was postponed until the Commission’s extraordinary session on Palestine.¹

7.

SLAVERY.

The Advisory Committee of Experts on Slavery held its fourth (ordinary) session at Geneva from April 5th to 10th, 1937, when it examined material sent in by the Governments of the United Kingdom, France, India, Spain and the Sudan, as well as two reports concerning the international settlements of Shanghai and Kulangsu.

The Committee unanimously decided not to pursue the study of the scope of its mandate, which it had taken up at its previous session. ¹

Under its Rules of Procedure, the Committee meets in ordinary session once every two years, if necessary. It decided, however, to suggest to the Council that it should be authorised to hold an extraordinary session in 1938, since it was persuaded that the information which would be forthcoming from Governments — partly in response to suggestions made by the Committee for further enlightenment on certain points — would amply justify such a meeting.

The subjects dealt with in the Committee’s report ² are the position in regard to ratifications, accessions and reservations to the Slavery Convention of 1926; slave raids, the slave trade and captured slaves; born slaves; debt slavery, pawning and peonage; the Mui-Tsai system and serfdom.

In its conclusions, the Committee reiterated the hope that the Slavery Convention of September 25th, 1926, might be

² See document C.188.M.173.1937.VI.
ratified without further delay by those States which, having signed or acceded to it subject to ratification, have not yet ratified, and that such States as have been invited to accede and are not yet parties to the Convention would consider the possibility of acceding.

It desired Governments to continue to supply as full and as accurate information as possible, in accordance with Article 7 of the 1926 Convention and the various resolutions of the Assembly.

The Committee particularly called the Council’s attention to the suggestions in its report for obtaining further light on points arising out of the examination of the documents supplied by Governments.

Lastly, it proposed that the Council should bring to the notice of the Governments concerned, for any action they might think fit to take, the suggestions and recommendations, both general and specific, embodied in its report.

On May 25th, 1937, the Council authorised, in accordance with Article 15 of the Committee’s Rules of Procedure, the publication in full of the Committee’s report, together with its annexes.

On the proposal of its Rapporteur, the representative of the United Kingdom, the Council took note of the Committee’s report and endorsed its conclusions. It agreed with the view expressed by the Rapporteur that the Committee’s work had been justified by the progress which it had been able to register towards the complete abolition of slavery and the slave trade. It requested the Secretary-General to propose to the Assembly that financial provision should be made for an extraordinary session of the Advisory Committee to be held in 1938. The date of this session was fixed in principle by the Committee for March 31st, 1938, subject to the Assembly voting the credits. Finally, the Council decided to communicate its resolution to all the Members of the League and to such non-member States as are parties to the 1926 Slavery Convention.

1 Under this article, “the reports and Minutes of the Committee shall be confidential. The question of the full or partial publication of the Committee’s report is a matter for the decision of the Council of the League of Nations. The same applies as regards the publication of the documents examined by the Committee.”
ECONOMIC AND FINANCIAL QUESTIONS.

A. ECONOMIC RELATIONS SECTION.

I. THE PROBLEM OF RAW MATERIALS.

The problem of raw materials was brought before the last Assembly by the United Kingdom Government. The Assembly considered that the time had arrived when enquiry into and discussion of the question of equal commercial access for all nations to certain raw materials might usefully be undertaken with the collaboration of the principal States concerned, whether Members or non-members of the League. It decided to request the Council to appoint a Committee composed of members of the Economic and Financial Committees, together with other qualified persons, irrespective of nationality, to undertake the study of this question.

The proposed Committee was constituted by the Council at the first opportunity and held two sessions: the first from March 8th to 12th, and the second from June 16th to 25th, 1937.

At the first session, the Committee examined the scope of the enquiry entrusted to it. It endeavoured to draw up a programme for a rapid statistical survey dealing mainly with industrial raw materials and foodstuffs. The examination of the grievances put forward and the difficulties experienced in obtaining raw materials showed that, while some related to the supply of a particular raw material (export prohibitions and restrictions, export duties, monopolies, agreements and cartels for the regulation of production and sale), other complaints and difficulties

1 Resolution of October 9th, 1936.
concerned the purchase and payment of those raw materials (lack of foreign exchange, Customs tariffs, necessary control of imports, quotas, clearings, etc.). The second session (June) was mainly devoted to the work of the two Sub-Committees set up to study these two aspects of the problem, between which the work was divided. These Sub-Committees set themselves the task of submitting an objective survey of the facts and, if possible, making practical suggestions for the solution of the difficulties to which attention had been drawn.

There was not time, however, to collect complete documentary material on the subjects concerned, and the Committee was unable to get beyond the stage of a provisional report. It considered that, before reaching final conclusions, it ought to make a fuller study of the statistical information and the suggestions before it. The Committee hopes to draw up a general report in time for discussion by the 1937 Assembly, and to this end decided to hold a further meeting on September 1st, 1937.

II. PRESENT PHASE OF INTERNATIONAL ECONOMIC RELATIONS.

The previous annual report on the work of the League gave the reasons which had led the Economic Committee to postpone its forty-fourth session until the economic and political situation was more favourable, enabling it to express a more definite opinion on the probable evolution of international commercial relations and to secure readier acceptance for any proposals it might make from the Governments of at least some of the countries that play a leading part in world trade.

In July 1936, the economic and political situation was such that M. van Zeeland, President of the Special Assembly of the League of Nations, in his closing speech, felt it necessary to warn Governments of the dangers to which world peace and the economic revival that was taking place in many countries would be exposed if some effort were not made, by international cooperation, to improve the state of economic relations and bring

---

1 Document C.286.M.187.1937.II.B.
about political appeasement by reverting to healthier economic conditions.

This attitude was strongly supported by the Economic Committee, which met shortly before the ordinary Assembly in 1936. The Committee presented to the Council a report entitled: "Remarks on the Present Phase of International Economic Relations: Reconstruction of the Machinery of International Exchange as a Factor in Recovery and Appeasement".

The Committee's report formed, as it were, a continuation of the reflections and conclusions expressed on the subject by the Committee a year before.

The Committee stated, first, that the signs of improvement which it had noted in its previous report were now more striking and more numerous, but that the progress that was being made in various countries could not attain its full development and was liable to be brought to a standstill if it were not accompanied by a revival in international trade. To attain this result, it was chiefly necessary, according to the Committee, to fill in the gap which separates the price-levels of the majority of the countries with a gold standard (whether real or nominal) from those of the majority of the countries with a depreciated currency.

Further, the Committee did not consider that currency adjustment could bring about any lasting improvement in the economic situation unless it was accompanied by a relaxation of direct and indirect import restrictions (quotas and exchange control), an important secondary effect of which would be to check any tendency towards a too rapid rise in prices following on devaluation.

Without examining in detail the various questions which such a programme for the normalisation of international economic relations would necessarily raise, the Committee emphasised the importance of organised co-operation between all the countries concerned, from the point of view of the proposed operations.

As regards the prospects of carrying out this work of economic revival, the Committee was of opinion that the various factors

---

1 See document C.378.M.249.1936. II.B.
2 See document C.344.M.174.1935. II.B.
pointing to the possibility of success were more numerous and potent than at the time of the London Conference in 1933. Nevertheless, in view of the diversity of the interests involved, it considered that the idea of a world conference should be ruled out and that it would be more expedient to proceed by stages. The first problem which, in its view, arose—namely, the re-adjustment of price levels and currency measures—must be settled unilaterally by each of the countries concerned, and consultation between those countries would be expedient concerning the technical features and international repercussions of the proposed operations. As regards the removal of trade barriers, however, international action appeared essential to support and stimulate national action.

Moreover, action on those lines—that is to say, action not dictated by purely economic interests and divorced from all thought of gain or bargaining—might, in the Committee's view, assume the proportions of a work of reconciliation and, by clarifying the political atmosphere, give a fresh impetus and stimulate a healthy economic revival.

The Financial Committee, for its part, expressed itself in general agreement with the conclusions reached by the Economic Committee. It endorsed in particular its view that the re-establishment of the machinery for the free international circulation of goods and capital was necessary not only to avoid a recurrence of the economic depression but also to avert the growing menace of a new political conflagration.

The Economic Committee's report was carefully considered by the Second Committee of the Assembly, more especially as, two weeks after its publication, a currency event of major importance occurred: on September 25th, 1936, the French Government decided to adjust the value of the franc to the economic situation existing on that date. The announcement of this measure was accompanied by a declaration drawn up jointly between the French Government and the Governments of the United States of America and the United Kingdom and published simultaneously in Paris, Washington and London.

In this declaration, the three Governments expressed their common wish to avoid as far as possible any disturbance of the new bases of international exchanges resulting from the proposed adjustment, and they undertook to use all suitable
means for this purpose, including those which might be provided by the co-operation of their monetary institutes.

Being convinced, moreover, of the truth of the Economic Committee's statement that the success of such a policy was linked up with the development of international trade, they expressed their determination progressively to relax the existing system of quotas with a view to abolition, and their hope to facilitate the removal of exchange controls, to contribute to the restoration of order in international economic relations, to promote prosperity in the world and to improve the standard of living, and thus even to safeguard peace.

Within a few weeks of the publication of the above-mentioned declaration, several countries, including Switzerland, the Netherlands, Italy, Czechoslovakia and Belgium, associated themselves, in various forms, with the policy thus inaugurated.

The Second Committee of the Assembly, in its turn, welcomed this effort in the direction of collective action. It felt, however, that Governments should not confine themselves to those measures, and asked them to enter into negotiations at the earliest possible moment with a view to overhauling their whole commercial policy. The Assembly endorsed this view and adopted a resolution submitted by the Second Committee approving the measures taken in the matter of currency and likewise the tripartite declaration. The resolution recommended all States to organise without delay determined and continuous action to ensure the application of a concordant policy designed to re-establish a durable equilibrium between the economies of the various countries, to reduce excessive obstacles to international trade and communications, and in particular to relax and as soon as possible to abolish the present systems of quotas and exchange controls.

Further, with a view to the rapid elimination of certain difficulties which, in the opinion of representatives of several countries, formed considerable obstacles to the necessary collective action, the Assembly adopted three other resolutions concerning the examination by the League organs of the question of free access to raw materials, international migration and fiscal fraud.

---

1 See document A.79.1936.II.B. Report on Economic and Financial Questions submitted by the Second Committee to the Assembly.
The appeal launched by the League’s organs for the reduction of international trade barriers met with a response in a number of countries. Switzerland, Italy and France, for example, adopted measures of varying importance — tariff reductions, extension or abolition of quotas, etc. — to facilitate the import of foreign products and by this means, together with strict measures of control, prevent an unjustifiable increase of prices on the home market.

These isolated and scattered efforts, however, gradually diminished, and despite the fact that co-operation between the three great financial Powers was rendered closer in the matter of currency by a supplementary agreement concerning the joint fixing of relations between the exchanges, concluded in October 1936, concerted action in the sphere of commercial policy was slow in taking shape. Thus, notwithstanding a steady economic revival, no marked improvement had yet, by the spring of 1937, occurred in the commercial relations between States.

The Governments of France and the United Kingdom accordingly decided to make a fresh effort towards collective action with a view to the normalisation of international economic relations. They requested the Prime Minister of Belgium, M. van Zeeland, to explore the ground and ascertain whether the general economic situation and the lessening of tension in political relations would now permit of collective action being considered.

At its forty-fifth session, held from June 9th to 15th, the Economic Committee again examined the international economic situation as it appeared in the light of the circumstances which have just been described. It noted that, for about a year past, the fundamental condition requisite for any international agreement again existed almost everywhere — namely, a normal expansion in the volume of business such as to enable all the countries concerned to make the necessary concessions.

Again, in the Economic Committee’s view, the alignment of several important currencies in the autumn of 1936 might be regarded as a favourable factor from the point of view of the conclusion of a more comprehensive agreement, although this alignment was unfortunately not followed by an adequate

---

demobilisation of the various trade restrictions adopted during the economic depression. So long as those restrictions are maintained, any increase of purchasing power consequent on devaluation will necessarily be reflected in an increase of prices instead of in an improvement in the standard of living. The Committee accordingly feels that a determined effort should be made to achieve the purpose expressed in the above-mentioned tripartite declaration — namely, to relax progressively, with a view to their abolition, the present systems of quotas and exchange controls. It noted with satisfaction the mission entrusted to M. van Zeeland, and expressed its hope that he would be able to put forward some definite plan.

The Committee fully realises, however, that a number of difficulties still stand in the way of the work of economic reconstruction, both in the economic sphere and in the financial and political spheres. Thus, any progress on economic and financial questions must be correlated with the possibility of improvement in the political atmosphere. The Committee feels, therefore, that the real solution must be sought in concerted action in all three fields: economic, financial and political.

It hopes at its next session, just before the Assembly, to present a report which might serve as a useful basis for the discussion of concerted action on these lines. The Committee desired, however, at once to draw the Council's attention to the conclusion of the Convention signed at The Hague at the end of May between the countries belonging to the so-called 'Oslo group'. It regards this Convention as an important plurilateral effort to reduce the obstacles to international trade.

III. MOST-FAVoured-NATION CLAUSE.

When considering the conditions for re-establishing the mechanism of international circulation, the Economic Committee again dealt, at its session in September 1936, with the question of the most-favoured-nation clause.¹

¹ The Committee had previously dealt with certain aspects of this question in document C.379.M.250.1936.II.B, entitled: "Equality of Treatment in the Present State of International Commercial Relations: The Most-favoured-nation Clause".
Without dwelling on the various questions of interpretation raised by the application of this clause, it considered the essential features of the problem, more particularly whether, in view of the changes in the actual structure of economic relations, the principle of equality of treatment, of which the clause is the legal embodiment, is still of utility for the purposes of international trade.

With this object, the Committee sought to indicate how the economic depression and the contradictory measures adopted by the different States to cope with it have, directly or indirectly, endangered the guarantee of equality of treatment. This, according to the Committee, accounts for the erroneous idea that the function of the most-favoured-nation clause is now ended. In point of fact, the departures from this regime simply mean that owing to the present disorganisation of the economic machinery, more particularly the policy of balanced exchanges, the sphere of application of the clause has necessarily been restricted and it is insufficient as a means of coping with unequal competitive conditions.

In support of its view, the Committee made an exhaustive analysis of the present conditions of international trade and examined the various systems and methods advocated in various quarters to replace the clause; it completed its study by the following conclusions, which may usefully be quoted:

"1. The most-favoured-nation clause and the system of equality of treatment which it is designed to establish constitute an essential guarantee for the maintenance and development of world trade.

"In this connection, it is important to note that the clause has in no way ceased to function, but still continues as the underlying principle governing commercial relations between many countries.

"2. The clause loses most of its practical effectiveness when international commerce is subjected to quotas and exchange restrictions, clearing and compensation arrangements; but, even in these circumstances, it remains effective principally where Customs duties are concerned, thus narrowing the field in which it is necessary to devise other guarantees of equal or at least equitable treatment, which are essential if trade is to develop to the maximum extent possible under the cramping conditions now prevalent and if the diversion of the currents of trade from their natural channels is to be avoided."
“3. In the long run, however, these abnormal measures for the regulation of trade — quotas, foreign-exchange control, clearing and compensation agreements — are incompatible with a developing and prosperous trade. What is needed, therefore, is not discussion of the merits or defects of the system of equality of treatment, but an effort to repair this fundamental injury to the mechanism of international trade at the earliest moment.

“4. To discuss whether the general use of the most-favoured-nation clause will or will not prevail in the future is superfluous, for the simple reason that, as soon as currencies can again be freely negotiated and as soon as the circulation of goods is freed from restrictions as to quantity, no country will submit to discriminatory treatment. Wishing to ensure equality of treatment for itself, it will be obliged to grant such equality to others.

“5. The introduction of an exception to the clause in favour of multilateral treaties for the formation of larger trade markets must be examined in the light of the Economic Committee’s previous studies. It should be remembered, however, that the principal obstacle to the formation of such areas lies not in the existence of the most-favoured-nation clause — which is a contractual provision and therefore subject to denunciation — but in the absence of a movement of opinion strong enough to overcome the opposition to the realisation of such projects and still more in the fundamental objections which have been raised against the recognition of undefined exceptions to the general application of the clause.”

The Council of the League of Nations decided, at its meeting on September 25th, 1936, to request the Secretary-General to transmit this report to States Members and non-members of the League of Nations, in order that they might examine the conclusions reached by the Economic Committee.¹

IV. CLEARING AGREEMENTS AND EXCHANGE CONTROL.

In conformity with a resolution passed by the Assembly on September 28th, 1935,² the Economic Committee, at its session in September 1936, also considered the question of clearing agreements and exchange control.

¹ See Official Journal, November 1936, page 1164.
After examining, in connection with the problems dealt with above, the general conditions governing the application of the said agreements and measures, the Committee directed its attention to the development of certain tendencies affecting clearings and exchange control and considered the proposals put forward with a view to improving the present state of international trade on the basis of compensation or clearing systems.¹

As regards the regulation of payments, the Committee noted that the number of countries in which commercial exchanges are subject to financial restrictions has increased. On the other hand, difficulties encountered in the application of clearing agreements proper have led certain countries successively to abandon these agreements in favour of more flexible forms. The new arrangements are based sometimes on private compensation of goods and, to an increasing extent, on the real rate of the currencies in question on the open market, or again on the principle of so-called payment agreements.²

Although the difficulties resulting from the policy of clearing agreements have thus been attenuated in certain cases, the Economic Committee maintains the view that clearing agreements in any form tend to divert trade from its natural channels, and it again expressed the hope that they might be entirely abolished.

The Committee's attitude towards clearing agreements necessarily affected its attitude towards the various schemes for the expansion of international trade which had been submitted to it. All these schemes, indeed, in one form or another, recommended compensation and clearing agreements. The Committee considered that, reduced to proposals for the establishment of compensation machinery and with the omission of the fresh obligations which they implied for States, many of these schemes might no doubt result in appreciable improvements in the present clearing system, but it was of opinion that none of them were calculated to bring about any real improvement in the international economic situation. Such an improvement called for


² The schemes in question concerned agreements between the central banks of the contracting countries, stipulating that the country imposing currency control should spend the proceeds of its exports to the contracting country on paying for goods imported from that country, less a certain percentage to remain at the disposal of its national bank.
more radical changes, on the lines that the Committee itself suggested in its report on the present phase of international economic relations.

During its session in June 1937, the Economic Committee again dealt with questions relating to clearing agreements and exchange control. It noted that the tendencies to return to a more liberal policy to which reference had been made in its report of September 1936 had gained in strength as regards both the practice followed in the matter of exchange control and as regards payment agreements.

In view of this fact, the Committee did not consider it necessary to make any appreciable modification of the conclusions at which it had arrived in September 1936 after considering a number of proposals with a view to the extension of international trade. It had resumed its examination of these schemes in accordance with the wishes expressed by the Second Committee of the Assembly in October 1936 and had extended it to cover a number of proposals submitted since then and directed to a similar end. The Committee recognised indeed the ingenuity of the methods advocated by the authors of these various schemes, but it could not recommend the adoption of methods which would entail the creation of a mass of administrative machinery, while their application would not be certain to hasten the abolition of clearing agreements and measures of exchange control at a time when bilateral payment agreements are becoming increasingly liberal in form. The Committee urged, however, that these recent tendencies should be emphasised and encouraged.

V. CUSTOMS NOMENCLATURE.

The revision of the League of Nations draft Customs Nomenclature was completed in May 1937.

The Sub-Committee of Experts engaged on the framing of this draft has thus successfully concluded the delicate and complicated undertaking entrusted to it after the International Economic Conference in 1927. It devoted twenty sessions to the

---

framing of the draft and four sessions to the examination of the observations forwarded by Governments to the Secretariat. The number and importance of those observations bear witness to the interest roused everywhere by the League of Nations draft. Industrial and commercial circles in the different countries appear to be no less interested than Governments.

Having carefully studied the observations and suggestions received concerning the draft Nomenclature, the Sub-Committee decided to introduce a number of modifications which do not however alter the structure or essential lines of the draft, as the fundamental criteria on which the latter is based and its general framework have been left untouched. They refer to questions of detail, their main purpose being to make the unified nomenclature more explicit and better suited to the end in view.

The experts also fixed the rules for the classification of goods composed of various materials and not specifically mentioned in the draft, and went into details regarding the classification of cases, caskets, boxes and other containers: these rules and particulars were indispensable with a view to eliminating two of the main causes of divergence in the application of Customs tariffs.

A new edition of the draft Common Customs Nomenclature, thus amended and in final form, will be published shortly.

At its session in June 1937, the Economic Committee considered what further action should be taken in regard to this scheme. For various reasons, it did not seem to it desirable to proceed with the original plan to summon a diplomatic conference for the adoption of the draft, but it suggested that the Council should draw the attention of the Governments to the draft, recommending them to make the fullest possible use of it in any revision of their Customs tariffs.

VI. Sugar.

The International Sugar Conference was convened in London on April 5th on behalf of the Bureau of the Monetary and

Economic Conference — that is to say, with the authorisation of the President, the Right Hon. J. Ramsay MacDonald, and on the instructions of M. Colijn, President of the Economic Commission, whom the Bureau had instructed to follow certain economic questions.

The general idea of a sugar agreement extending not only to the principal countries exporting that commodity but to all countries which play an important part in the sugar industry had been accepted in 1933 by the Monetary and Economic Conference. In March 1934, the Bureau of the Conference had convened a preliminary meeting of a number of important countries, in order to decide whether it was desirable to hold a general conference; the idea, however, did not seem feasible at that time.

The United Kingdom Government continued to keep in touch with the principal countries concerned and also with the Economic Relations Section of the League of Nations Secretariat and with the International Sugar Committee. In 1937, some of the difficulties encountered in 1934 appeared to have been overcome and the moment seemed opportune for attempting to conclude an international agreement to maintain a reasonable relationship between supply and demand on the world market.

The Conference, of which the Director of the Economic Relations Section was Secretary-General, included delegations from the Union of South Africa, Australia, Belgium, Brazil, United Kingdom, Canada, China, Cuba, Czechoslovakia, Dominican Republic, France, Germany, Haiti, Hungary, India, Netherlands, Peru, Poland, Portugal, the Union of Soviet Socialist Republics, the United States of America and Yugoslavia, and a Japanese observer. On May 6th, 1937, after sitting for over a month, it reached an agreement which will, it is thought, be such as to ensure equilibrium in the production of sugar without detriment to the interests of consumers.

A plan for export quotas effectively protects the market against excess production and at the same time, thanks to its elastic nature, guarantees adequate supplies to consumers.

An International Sugar Council established in London will make a systematic study of all questions relating to the world sugar industry.
This agreement, which was made possible by the conciliatory spirit shown by the delegations, appears to represent an important step in international collaboration. It will come into force on September 1st, 1937.

B. WORK OF THE FINANCIAL ORGANISATION.

I. GENERAL.

An account of the year's work falls naturally into four parts: the work of the standing Committees and the Committee on International Loan Contracts; the nutrition enquiry; the publications of the Economic Intelligence Service; and the research work which is being done, with the help of the Rockefeller Foundation, on economic cycles.

As in past years, officials of the Section have been sent on numerous missions. The most important of these was a visit paid by an official to Venezuela and Central America. In Venezuela, he assisted M. Denis who, as mentioned in Part I of last year's report, had been asked by the Government, on the suggestion of the Secretary-General, to advise on certain financial and economic questions. He gave technical advice on the new Customs tariff, which has now passed into law. He also, with the Government's cordial help, examined the Government's statistics with a view to their improvement and to obtaining closer co-operation with Geneva. With a view to obtaining more frequent and up-to-date information for the Intelligence Service, he visited six countries in Central America, and the American administrative officials of the Panama Canal Zone.

II. WORK OF COMMITTEES.

Financial Committee.

During the year, the Financial Committee has held three sessions. Part of the meetings has been devoted to examining in the usual way the financial and economic situation of countries
in which the Committee is particularly interested, especially Austria, Bulgaria and Hungary. The Committee’s task has become much simpler owing to the general economic improvement in which, in varying degrees, these countries have shared. The financial and monetary problems with which these countries have had to cope in recent years, while not entirely solved, are no longer as acute as they were. Their external trade is tending to reconquer markets lost during the crisis, or to obtain new ones where the monies received for exports can be more freely used; exchange controls have been lessened or substantially modified and the clearing systems rendered less rigid. The exchange reserves of the national banks have benefited from the steps taken towards normal trade relations.

By a decision of the Council of September 25th, 1936, the duties of the League representative in Austria and of the Adviser to the National Bank were ended on October 30th, 1936. On this occasion, the Finance Minister stated “that the Austrian Government attached great importance to maintaining contact with the Financial Committee”. Since then, the Finance Minister and the Governor of the National Bank have been present at the meetings of the Financial Committee. In accordance with the terms of the present arrangement, the Financial Organisation of the League has sent an official to Vienna to prepare periodical reports on the financial and economic situation of Austria provided for in Article 10 of Annex II of the Protocol of July 15th, 1932. Two such reports have now been published.

Turning to questions of more general concern, the Financial Committee was moved, in September 1936, to give public expression to certain opinions on monetary problems which subsequent events strikingly justified. Its report preceded by only a few days the so-called “tripte” agreements between the United States of America, the United Kingdom and France, which were afterwards accepted by other countries. The occasion for this public expression of opinion by the Financial Committee on questions which it had frequently discussed privately was a report it had received from the Economic Committee entitled “The Present State of International Economic Relations”.

The Second Committee of the last Assembly was impressed by the immediate importance of the observations made by the Economic and Financial Committees. The Second Committee’s
discussion threw into relief the difficulties which various States encounter in embarking on the abolition of exchange control and other regulations, in the absence of any satisfactory settlement of foreign indebtedness. In December 1936, the Financial Committee expressed its opinion on this subject in its report to the Council.

The Second Committee had stated that it "earnestly trusts that the Economic and Financial Organisation of the League will keep in touch, through its technical committees, with future developments in this field. It will then be able to make the results known from time to time, and also to define the lines of action that experience has proved valuable ". The Financial Committee pointed out that cases may exist in which arrangements between creditors and debtors regarding external debts might be improved, particularly as regards duration and validity. But it reminded debtor States which might benefit by such longer-term arrangements that they ought not to lose sight of the ultimate object of such arrangements, which should be the relaxation of exchange control with its concomitant liberation of foreign trade. The Committee further observed that the most effective action to facilitate the removal of exchange restriction "would be a general modification — especially by creditor States — of the present policy of commercial restrictions through quotas and prohibition tariffs ".

Various other problems of general interest have been discussed by the Financial Committee during the year. One of these has been pending for some years — the means of preventing the falsification of documents of value. The Committee has reached the conclusion that international action on this subject may now be opportune. The Committee made proposals to the Council for further work on this subject which it is suggested may be dealt with on lines similar to those adopted for preventing the counterfeiting of currency. It will be recalled that an international Convention to check the counterfeiting of currency was adopted in 1929.

In the spring of this year, the Council asked for the advice of the Financial and other technical Committees concerning the proposed Conference on Rural Life. The Financial Committee expressed its opinion that a study might with advantage be made of national systems of agricultural credit, including
mortgage legislation, co-operative credits and agricultural insurance.

In conclusion, the Committee asked one of its members to assist the Economic Committee when drawing up its report to the Assembly on rural and urban housing.¹

**Fiscal Committee.**

The Fiscal Committee held its annual meeting in October in order to report at once on the question of fiscal evasion, which had been referred to it by the seventeenth Assembly. As it had already devoted careful attention to the subject in earlier years, it was able to formulate its opinion in the course of a single session. In its report, it points out that, unlike double taxation, for which bilateral conventions are appropriate, the question of tax evasion can only be solved in a satisfactory manner if international agreements on this matter are simultaneously concluded and adhered to by a majority of States. Otherwise, the interest of the minority signing such conventions might be seriously prejudiced. After laying down the principles on which a multilateral convention might be based, the Committee suggested to the Council that it might be advisable, before proceeding further with the matter, to ascertain the prospects of reaching an agreement between an adequate number of States. At its meeting of January 1937, the Council accordingly instructed the Secretary-General to address a letter to Governments requesting them to indicate their views. By the beginning of June, eighteen replies had been received.

In past years, the Committee has drawn up a number of draft Conventions designed to avoid double taxation, which have served as a model for a large number of bilateral agreements. It has now completed this series by drawing up model provisions on the taxation of the capital and property of business enterprises and the taxation of insurance companies.

As foreseen in last year's report to the Assembly, the Committee began its examination of the behaviour of fiscal systems

---

during the depression. It made arrangements for reports of a uniform character on this subject to be prepared in various representative countries. Through the evidence furnished by these reports, it hopes to be able to formulate suggestions which may be of value to Governments when modifying their fiscal systems with a view to making them more adaptable to variations in economic activity.¹

**International Loan Contracts Committee.**

This Committee, appointed as a result of a resolution adopted by the Assembly in 1935, has held a second session. Its mandate is “to examine the means for improving contracts relating to international loans issued by Governments or other public authorities in the future”.

This is the first occasion on which a systematic international examination of this very complex problem has been undertaken. The Committee arranged for certain of its members to make a detailed study of a number of existing contracts, and for information to be collated concerning the major difficulties which have arisen in the past, with a view to ascertaining at what points real improvement might be effected in the future. By way of example, two weaknesses in the existing system may be mentioned — first, the absence of any satisfactory means of obtaining binding decisions of a legal character when disputes arise, and, secondly, the absence of stipulations as to the law by which contracts are governed. It is obvious that the capacity of the debtor to meet his obligations must be determined by economic conditions and not by the terms of individual contracts. There is, however, every reason to believe — although it is too early to foresee the conclusions to which the discussions of this Committee may lead — that improvements in such contracts in the future may render it possible to avoid much misunderstanding, doubt and delay.

The Committee’s second session was held last May. It discussed first of all the question of the law which should be applicable to international loan contracts — many difficulties having arisen

in the past owing to uncertainty as to which country’s law was applicable to a particular loan contract.

The Committee discussed various methods by which this uncertainty might be avoided in future, and the suggestion was made that the best solution might be to prepare a set of common rules governing international loan contracts comparable to the so-called York and Antwerp Rules for international maritime contracts.

The Committee, which had been authorised by the Assembly to seek the co-operation of the Rome International Institute for the Unification of Private Law, asked the Institute whether it would be ready to undertake the preparation of such a set of common rules. The Institute agreed and offered to draw up a programme of work before the next session of the Committee.

Committee of Statistical Experts.

Two meetings were held, in October 1936 and April 1937. The Committee devoted the greater part of its time to preparing a classification of occupied population and of industries. This task presented difficulties, as Governments are naturally anxious not to change their statistics so much that census figures no longer compare with the results of previous years. On the other hand, it is desirable that Governments should apply systems sufficiently uniform to allow of useful comparisons being made between one country and another. In these circumstances, the Committee confined itself to drawing up a minimum programme for supplementary returns permitting of international comparison.

It has prepared (1) a definition of the "gainfully occupied population" and has indicated which groups of the population should be shown separately. It further prepared (2) an International Minimum Nomenclature of branches of economic activity and (3) a classification by personal status to serve as a basis for the grouping of occupied persons. These recommendations, which have been sent to Governments for observations, have two objects — the first is to take a step forward, at the time of the forthcoming censuses in 1940 or thereabouts, towards obtaining statistics more comparable as between one country and another; the second is to provide a general plan on which
occupational statistics may be based, particularly in countries where they do not yet exist.

On various branches of economic statistics, such, for instance, as those relating to tourist traffic and mining and metallurgy, the Committee has made definite recommendations. On others, such as indices of prices and of industrial production, further studies are being made.

All these fall within the scope of "economic" statistics. In May 1936, the Council extended the scope of the Committee's work to cover financial as well as economic statistics. A beginning has been made, with the help of outside experts, on the study of statistics relating to the formation of capital and the way in which it is invested.¹

III. Nutrition.

It will be remembered that a Mixed Committee consisting of agricultural, economic and health experts made an interim report to the last Assembly,² which has attracted widespread attention. It is clear that the report was timely and that opinion in many quarters was anxious for the question to be studied in its various aspects. The report has had an encouraging effect on such opinion. More and more States have come to place the problem of nutrition among their foremost preoccupations.

The extent of the evils attendant upon under-nourishment, or defective nourishment, as revealed by the Committee, was unsuspected. Even in rich countries, individuals in all classes of the population are affected. While inadequate income may be a major cause of malnutrition, it is far from being the only cause. Special emphasis was laid by the Committee therefore on the need for publicity and education.

A Committee of eminent scientists had prepared in the autumn of 1935 a report on the Physiological Bases of Nutrition³ showing,

² Document A.12.1936.II.B.
³ Document A.12(a).1936.II.B.
especially for women and children, the optimum requirements in calories, proteins, fats, minerals and vitamins. The report emphasised the special importance of so-called protective foods essential for the maintenance of health.

In its interim report, the Mixed Committee laid special emphasis on the connection between nutrition and public health, and on the part which Governments might play in promoting improved nutrition. One of its first recommendations was the creation in each country of a national committee to co-ordinate research and education in connection with nutrition and to give advice with a view to improving nutrition.

In accordance with the recommendation of the last Assembly, in February of this year a meeting took place in Geneva of representatives of the national committees which had been formed in various countries. At this meeting were discussed the status and composition of national committees and the work already done or in progress in order to assess the state of nutrition and spread the principles of improved nutrition in the various countries represented. The contacts thus established proved valuable and the discussions were instructive, as each participant explained the method adopted in his country to study or influence consumption habits.

The mandate of the Committee was prolonged by the last Assembly for a year, so as to enable it to make its final report, which will be published shortly. This final report, like the interim report, is mainly concerned with conditions in Europe and countries with a western civilisation, as the Committee found itself unable to obtain adequate documentation, in the time at its disposal, with regard to Asia, Africa and tropical countries. Studies in these areas have, however, recently been undertaken, and the International Conference on Rural Hygiene in Eastern Countries, which will meet in August of this year,¹ will have the question of nutrition as one of the most important points on its agenda.

The final report of the Mixed Committee deals mainly with the economic and agricultural aspects of nutrition, but in order to render it complete in itself the section of the interim report dealing with nutrition and health has been reproduced with minor

¹ See under Health Questions, page 142.