Geneva, September 5th, 1938.

LEAGUE OF NATIONS

REPORT ON THE WORK OF THE LEAGUE 1937/38

Part II.
NOTE BY THE SECRETARY-GENERAL

The Annual Report on the Work of the League is issued, as usual, in two parts. Part I, dated July 18th, 1938, covers the work of the League from the session of the Assembly held in September 1937 to the end of June 1938.

Part II covers the work of the League from the end of June to the end of August 1938. This second part of the Report has two annexes, printed separately, namely:

"Ratification of Agreements and Conventions concluded under the Auspices of the League of Nations" (document A.6(a).1938, Annex I. V) and

"Note by the Secretary-General on the Economic Situation" (document A.6(a).1938, Annex II).

September 5th, 1938.
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A. WORK OF THE LEAGUE

1

POLITICAL QUESTIONS

Dispute between Bolivia and Paraguay

In a telegram dated July 21st, 1938, the Argentine Minister for Foreign Affairs, President of the Peace Conference of Buenos Aires, informed the Secretary-General that the Ministers for Foreign Affairs of Bolivia and Paraguay, who had come to Buenos Aires at the invitation of the Peace Conference, had that day signed a Treaty of peace and friendship, and on frontier questions, which brought the Chaco disputes to an end.

The Secretary-General communicated this telegram to the Members of the League and warmly congratulated the Peace Conference, and especially its President, on the success of their untiring efforts.

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QUESTION OF ALEXANDRETTA

The Commission appointed to organise and supervise the first elections in the Sanjak of Alexandretta arrived in the Sanjak accompanied by its staff on April 21st, 1938. The registration of the electors began on May 3rd.

After informing the Council that circumstances prevented it from pursuing its work, the Commission stopped the registration of electors on June 26th and left the Sanjak on June 29th.

On July 30th, it submitted its report to the Council.

1 See Part I of this Report, pages 39-41.
3.

REDUCTION AND LIMITATION OF ARMAMENTS

NAVAL QUESTIONS

In regard to the London Naval Treaty, 1936, the United Kingdom Government by a letter dated July 6th, 1938, transmitted to the Secretary-General, for information, a copy of the Protocol signed on June 30th, 1938, by the Governments of the United Kingdom, the United States of America and France, fixing the new displacement limitation for capital ships of sub-category (a) as a result of the escalation discussions 1 which had taken place under Article 25 of the Treaty.

This new displacement limitation is 45,000 tons (45,720 metric tons) in lieu of 35,000 tons (35,560 metric tons).

The above-mentioned letter added that the Governments of France and the United States of America had been informed officially that the Governments of Canada, Australia, New Zealand and India, though not signing the Protocol, had signified their concurrence in the new limitation.

Similar Protocols fixing the same new displacement limitation for capital ships of sub-category (a), in regard to the Anglo-German and Anglo-Soviet Naval Agreements of July 17th, 1937, and the Anglo-Polish Naval Agreement of April 27th, 1938, were transmitted to the Secretary-General by the United Kingdom Government for information on July 28th and August 4th, 1938, respectively.

Copies of these letters and Protocols were communicated by the Secretary-General to the Members of the Conference for the Reduction and Limitation of Armaments.

1 See Part I of this report, page 45.
MANDATES

WORK OF THE PERMANENT MANDATES COMMISSION
DURING ITS THIRTY-FOURTH SESSION (JUNE 1938) ¹

A. Postponement of the Examination of the Report on Syria and Lebanon (1937).

The Commission should, in the ordinary course, have examined the annual report on Syria and Lebanon at this session. It heard the accredited representative’s explanation of the reasons which had led the mandatory Power to propose that this examination should be postponed until the next session, but it nevertheless expressed the opinion that the examination of the administration of Syria and Lebanon during 1937 could have taken place without disadvantage at its present session, and that it would have been better not to depart from the established rule. It was therefore in deference to the express desire of the mandatory Power that the Commission agreed to an adjournment, which was also necessitated by the fact that the report did not reach it until after the session had opened.

The Commission took this opportunity of again giving expression to the consideration which it had constantly kept in mind — namely, that in the mandated States of which it was proposed to recognise the complete independence, effective protection should be afforded to racial, linguistic and religious minorities. In this connection, it referred to its report of 1931

¹ See document C.216.M.119.1938.VI.
on the general conditions which must be fulfilled before the mandate regime could be brought to an end, to its observations to the Council, and to the Minutes of the sessions during which the problem of the future of such minorities was examined.

The Commission also observed that the agreements between the mandatory Power and the Levant States under mandate could not prejudge the question of the guarantees which the League of Nations might contemplate when it had to pronounce on the emancipation of Syria and Lebanon and their admission to the League. It noted with satisfaction a further statement to this effect by the accredited representative.

**B. Observations on the Administration of the Territories under Mandate.**

The Commission made a number of observations on the administration of the territories with which it dealt at its thirty-fourth session¹ (Palestine and Trans-Jordan, 1937; Tanganyika Territory, 1937; Togoland under French mandate, 1937; South West Africa, 1937; New Guinea, 1936/37; Nauru, 1937).

** Territories under A Mandate.**

**Palestine (1937).**

The Commission noted that the political situation had not emerged from the deadlock which, in the words of the representative of the mandatory Power, characterised it a year ago. It observed that throughout 1937 public order was continually disturbed and that its restoration had been the main concern of the mandatory authorities, who had applied themselves to this task with a determination for which every credit was due, even though the measure of success attained was not commensurate with the efforts expended or the sacrifices made.

The Commission also noted that the measures for the restoration of order were a heavy financial burden on the country, and that the effort which these measures necessitated inevitably interfered with ordinary administrative activities. The Commission added that the application of the mandate was now

¹ The annual reports of the mandatory Powers on the administration of these territories were communicated to the Members of the League with the Commission's report.
partially suspended, as events had prevented some of its essential objects from being pursued. The Commission noted that "the mandatory Power has felt obliged to prolong the period during which Jewish immigration has been limited to a greater extent than would have been justified by the application of the principle of the economic absorptive capacity of the territory which was approved by the Council", and that "similarly, the situation has been regarded as less favourable than ever for securing the development of the self-governing institutions referred to in Article 2 of the mandate". It observed, however, that the mandatory Power had already introduced certain reforms urged by the Royal Commission as immediately necessary, and noted that the mandatory Power intended to pursue the same policy as far as circumstances permitted.

As regards the status of Palestine, a question the examination of which has been reserved until further notice in accordance with the Council’s decision of September 16th, 1937, the Commission was informed that partition was still the solution which the mandatory Power considered to be the best and the most hopeful, and the mandatory Power had instructed the technical commission, of the appointment of which it had notified the Council,¹ to pursue the study of this matter.

The Commission declared that it viewed the situation with the utmost concern, and expressed the hope that the period that would elapse before a final decision was reached as to the future status of the territory would be made as short as possible. It added that all the interests involved could not but suffer still further from the continuance of the present state of uncertainty.

In his comments, the accredited representative said that His Majesty’s Government in the United Kingdom could not agree with the view that the present system of control of immigration represented a partial suspension of the mandate, and that it would take the opportunity of defining its attitude on this question when the Commission’s observations were examined by the Council.

Territories under B Mandate.

Tanganyika Territory (1937).

The Commission regarded it as being to the credit of the operation of the system of indirect rule practised in the territory that the native authorities had taken action of their own motion for the restoration of order on the occasion of the disturbances which occurred in the district of Moshi, without its being necessary for the administration to resort to force. In the comment which he submitted on this observation of the Commission's, the accredited representative of the mandatory Power pointed out that a measure of force had had to be used (by the police) in order to disperse the rioters in one of the chiefdoms.

The Commission also noted that the mandatory Power was of the opinion that States which were not members of the League could not claim economic equality for their goods imported into Tanganyika either under the terms of the mandate or under Article 22 of the Covenant, though in some cases a claim might be justified under other instruments which were applicable to the mandated territory — namely, the Treaty of St. Germain of 1919 and the Agreement of 1925 granting the nationals of the United States of America the same economic rights in Tanganyika as those possessed by nationals of League Members, as well as the various bilateral trade agreements granting most-favoured-nation treatment in the mandated territory.

The Commission further noted that the financial situation of the territory had continued to be favourable during the year 1937; it asked for supplementary information as to the methods of refunding the loans, and expressed the hope that the objections raised to the imposition of an income tax would not prove insuperable.

The Commission expressed its satisfaction that the administration was promoting a policy for the improved organisation of the recruiting of workers. It also noted that the measures taken for the improvement of conditions of labour on the Lupa goldfields had had a good effect.
Togoland under French Mandate (1937).

The Commission noted with satisfaction that, owing to the material improvement in the financial situation of the territory, it had been possible to modify certain administrative measures taken for reasons of economy in the last few years, and thus to make the territory once more autonomous in regard to the majority of its administrative services. As regards land tenure, the Commission was still concerned at the risks inherent in the present system from the point of view of the safeguarding of native property which was formally stipulated in Article 5, paragraph 2, of the mandate, and it noted the accredited representative’s statement that he would consult with his Government as to whether any addition should be made to the legislation in force in the territory. The Commission also asked for definite information on the question of “vacant lands” and, more particularly, on those aspects which concerned native rights in respect of the occupation of such lands and the conditions under which they could be assigned.

Territories under C Mandate.

Nauru (1937).

The Commission was concerned at the high death rate of the native population, and particularly at the high rate of infantile mortality, and stated that it would follow with the greatest interest the results of the investigations made on the island with regard to questions of health in general as well as nutrition and the fresh-water supply.

New Guinea (1936/37).

The Commission expressed the desire to know the conclusions of the mandatory Power on the question whether, in its opinion, the welfare of the natives would be better secured by opening up the uncontrolled areas to European activities as soon as they were brought under control, or by arranging for a transitional period which would enable the administration to strengthen its authority and develop its activities.

Further, the Commission made observations and requests for supplementary information on road development, education,
the recruiting of native labour, the activities of the missions and land tenure.

South West Africa (1937).

The Commission noted, as regards the relations between the various sections of the European population of the territory, a statement by the mandatory Power to the effect that it had every confidence that the mellowing influence of time and the necessity to co-operate in the promotion of common interests would gradually exercise their beneficial effects. At the same time, the Commission was informed by the accredited representative that, in spite of the inherent difficulties of the political situation in the territory, the Administration reported that the atmosphere had improved and that the work of government had been easier in recent months. He recognised, however, that recent tendencies showed that there was still a marked divergence of feeling amongst the European community, but that this was due to external causes rather than to local factors.

Furthermore, although it was aware that the Administration had stated that its present policy merely aimed at avoiding the undue acceleration of the development of the native reserves, the Commission expressed the view that this consideration could not justly apply to the granting of a certain degree of material assistance to the natives; it therefore continued to hope that the Administration would not withhold the assistance which was required in this respect, and to which the Commission had called attention at its thirty-first session. The Commission also made certain observations on public health, missions, education and land tenure.

C. Petitions.

The Commission considered numerous petitions regarding Palestine, Syria and Lebanon, Tanganyika and Togoland under British mandate. None of these petitions led to any special recommendation being made to the Council. Nevertheless, in its conclusions on certain petitions concerning Syria and Lebanon, the Commission referred to the observations on the administration of this territory which it had made at the conclusion of its thirty-third and thirty-fourth sessions.
ECONOMIC AND FINANCIAL QUESTIONS

I. INTRODUCTION

The account of the League's economic and financial work in Part I of the present report was grouped under the three main headings of policy and action, measures to restore prosperity, and information. These divisions will be maintained in this part.

No further work has been done, or was required, in the study of the structure and functions of the Economic and Financial Organisation beyond that described in the first part of this report. The subject has been placed on the agenda of the Assembly, but, as stated in Part I, the first provisional meeting has been held of the Co-ordination Committee, the creation of which was suggested. The main part of its report consists of an annotated list of the items on the agenda of the Assembly with references to all the documents bearing on each question, and a synopsis of its history and the main proposals now made. This annotated list is preceded by a short introduction summarising the main economic and financial problems of the moment. It points out that the resolutions of the last Assembly were particularly concerned with two subjects — namely, economic relations among nations and the social well-being of each country. The Second Committee concluded last year that it might be possible to remove some of the obstacles to international trade and particularly exchange controls, but political

1 Document A.16.1938.II.
tension and the recession in business have limited possibilities of action. For, apart from a general political deterioration, there have been defaults on international loans and alterations in commercial policy which have limited the area over which what used to be considered normal economic international relationships are maintained. Moreover, the crest of world recovery seems to have been passed; in the first quarter of 1938, production and trade have been declining and unemployment has again increased. On the other hand, certain basic circumstances are more favourable than they were in 1929. Monetary conditions are easier; the banking position is sounder; foreign indebtedness has been reduced; there is a considerable degree of stability between the leading currencies. But the situation remains anxious unless there can be some revival of business in industrial countries and an upward movement in prices; and it is to this problem that the Committee calls the attention of the Assembly in the first instance. And, in examining the possibility of harmonising the policies of national revival, too often pursued on a purely national basis, with a greater measure of international co-operation, the Committee points out that the countries co-operating through the League accounted for as much as 86% of world trade in 1937, and draws the conclusion that the League affords an opportunity for an exchange of views and experience on a very wide basis.

Apart from these two major items on the Assembly's agenda — namely, a general revival in economic activity and commercial policy — demographic problems and the problem of the standard of living are of special importance. Two principal solutions are suggested — viz., to restore greater freedom of migratory movements, and to improve economic conditions so that the standard of living in congested areas may be raised.

II. Economic and Financial Policy and Action

Several reports have been issued since Part I was written describing recent economic developments and suggesting measures which may relieve difficulties that have recently arisen. They are the report of the Economic Committee,¹ the report of

¹ Document C.233.M.132.1938.II.B.
the Financial Committee, Part II,¹ the report on exchange
control by a Joint Committee of these two bodies; ² and
(as in recent years) a special Annex to the present report
which describes the salient economic developments of the past
year.

The Economic Committee points out once more that both
democratic and totalitarian countries realise the necessity for
maintaining economic relations. The course to be followed
in order to improve these relations is well known and has been
reiterated year after year by the Committee. This year it merely
adds the statement that the execution of a programme of
economic normalisation on a reciprocal basis is undoubtedly
more urgent to-day than it was at the close of last year. Although
there have been some recent indications of economic improvement
in the United States, the world presents a much more sombre
picture than it did when the Assembly last met. World prices
of raw materials have been falling, world business declining,
production in many commodities has been falling off, and while
there are some reassuring features such as relative stability of
exchanges, some improvement in agriculture and renewed
demands for capital replacement, political conditions are
now far less reassuring than they were nine years ago when the
last depression began. The Committee urges once more the
conclusion of reciprocal commercial agreements and the under-
taking of collective enquiries and discussions to investigate
measures for the improvement of material well-being.

The Financial Committee, comparing the present recession
with the economic crisis that started in 1929, while it encourages
a reasonable degree of optimism, points out that the situation
has been rendered more difficult by the political tension and the
autarkic policies of certain important nations. A period during
which private industry can carry on its affairs with a reasonable
expectation of reasonable profits, and with a minimum of distur-
bance from fluctuations in costs (and particularly in the prices
of raw materials and foodstuffs) and from fears of international
complications, is essentially required for a speedy recovery;
but it is also important that policies should be directed to

¹ Document C.227.M.129.1938.II.A.
² Document C.232.M.131.1938.II.A.
providing easy monetary conditions and maintaining economic welfare. Its conclusion is:

"So long as the world lives in a state of continual tension and is thereby compelled to spend vast and non-reproductive sums on armaments, an interference with normal activities and a depression of the general economic well-being are inevitable consequences."

Appended to the Committee’s report is an analysis by the Secretariat on certain aspects of the economic situation, illustrated by a number of diagrams. It examines the causes of the present recession with its rise in costs and decline in consumers’ demand (with a special investigation of the causes of the decline in that demand) and ends with a description of the recovery measures adopted in the United States, the United Kingdom and France.

Against the background of these general observations must be placed the recommendations made on the subject of exchange control. The report of the Joint Committee of the Economic and Financial Committees gives a full description of their origin and their effects, both on the international balance of payments and internally in necessitating an extremely high degree of State interference with, and control of, all branches of economic life. Measures of relaxation — particularly in Denmark, Bulgaria, Czechoslovakia, Estonia, Hungary, Poland, Roumania, Yugoslavia and Portugal — are described. The report concludes with some general considerations regarding the relaxation of exchange control and the technical measures adopted in order to bring it about.

But unfortunately, as the Economic Committee points out, recent developments in world economic and political conditions are not calculated to further any attempt at a far-reaching solution of the problem.

On some other subjects which fall under this general head of economic and financial policy and action, there is progress to report. It is satisfactory to note that, in the technical field, one industry — tin — has carried out one of the most important recommendations of the Raw Materials Committee: viz., the formation of buffer stocks with a view to moderating price movements. While the Economic Committee has come to the
conclusion that the replies of Governments on the subject of commercial access to raw materials would not justify an attempt to secure international action at the present moment, it recommends that the Assembly should initiate a study of the important question of deforestation.

The Economic Committee has decided to review a number of technical questions relating to international exchanges in order to frame a system of rules relating to certain non-tariff provisions of commercial agreements. This body of rules might be used by Governments when negotiating reciprocal commercial agreements. A beginning is to be made with three groups of questions. The first group would comprise all rules the object of which is to reconcile the necessity for protecting human health with the need for enabling commodities to circulate as freely as possible — e.g., veterinary questions, questions relating to the export and import of meat and meat preparations, phytopathological questions, and action against fraud in connection with foodstuffs. The second group covers all the rules for facilitating commercial propaganda — e.g., Customs regulations regarding samples, catalogues, advertisements, conditions for the admission of commercial travellers, etc. The third group comprises a number of questions on the technique of Customs clearance.

A further revision of the Customs nomenclature may be necessary. The Economic Committee points out that eight countries which are at present revising their tariffs are using the League nomenclature, but industrial progress and the appearance of new products necessitate periodical adjustments. A meeting of experts will be called, if necessary, to make them.

In the further study of demographic problems, a memorandum has been prepared by the Secretariat, preparatory to drawing up a scheme of work. It points out the importance and complexity of these problems, and describes the different criteria of density of population and the difficulty of drawing practical conclusions from them. Such terms as "over-population", "relative over-population", "under-population" and "optimum population" are examined, and the evolution of the "man-land" ratio is described. The conclusion is that none

of the criteria based on the geographical territory of a country can determine whether it is or is not over-populated; that the respective values of the different solutions for over-population are only to be appreciated by reference to a country’s degree of development; and that, in view of the erroneous and exaggerated opinions current in regard to demographic questions, a special committee for the study of demographic problems should be set up. This suggestion has been adopted by the Economic Committee, which proposes that special attention should be paid to the various criteria for estimating over-population and the measures adopted in different countries to deal with increase in population. On the closely connected problem of migration, the Economic Committee has noted the results of the Conference of Experts which met at the International Labour Office, and endorsed the recommendation that a Permanent International Commission should be set up.

Tax Evasion.

In reply to a questionnaire prepared by the Fiscal Committee, in compliance with a resolution of the Assembly, some twenty-five Governments, including those of the most important countries, have supplied information concerning the methods employed to combat tax evasion.

This material will be submitted to the Fiscal Committee at its next session in the autumn. The Committee may then put forward certain recommendations concerning the international co-operation which could be instituted in this field.

III. Measures to Maintain or Restore Prosperity

Under this main heading, the only subject on which considerable progress has been made since the preparation of Part I of the present report is the study of measures intended to raise the standard of living. The Economic Committee asked Mr. N. F. Hall, Director of the National Institute of Economic and Social Research, London, to prepare a draft report, which was examined by a Sub-Committee of the Economic Committee with the assistance of Professor Rappard and officials of the International Labour Office. The report is submitted to the
Assembly. While it is the individual work of Mr. Hall, and while the Economic Committee does not necessarily share all the opinions expressed by him, it recommends his analysis and suggestions as a valuable contribution to the study of this problem. The report outlines the value of approaching economic problems by way of standards of living, and discusses the standard of living and human welfare, and the mechanics of economic adjustment. It proceeds to examine the general character of the economic adjustments which are necessary if technical progress is to result in further advances in human welfare, the relationship between low standards of living and low productivity in several different regions of the world, and the general character of measures likely to encourage improvements in production and consumption. It indicates the part that policies, both national and international, designed to raise standards of living, can play in easing friction between nations, thus paving the way for adjustment of a number of outstanding economic difficulties. It concludes by calling attention to five problems, the further investigation of which will be likely to yield fruitful results. These are: the increase of consumption, including the further examination of the physiological needs of population under different climatic conditions and of present deficiencies in their consumption; the further examination of the experiences of different countries in using the modern methods of providing public information and in educating consumers; the provision of cheap means of local communication and transportation; the creation of greater opportunities for marketing; and the study of the interrelationship between the use of technical advisory services and the provision of credit facilities by the encouragement of such organisations as co-operatives.

IV. ECONOMIC INTELLIGENCE

The annual issue of the Statistical Year-Book of the League of Nations was published on July 9th, 1938.

The new issue contains, as usual, the most important statistics of the world on population, labour, production, trade, transport and finance.

1 Document A.18.1938.I.B.
Notes help the reader to avoid pitfalls in this mass of information on such varied subjects as international trade, public finances, currencies and their increasing complications, capital issues and recent trends of population.

Important new material is given in all sections and especially on age structure, fertility, net rates of reproduction and expectation of life, much of it never before computed or published. Mortality has fallen sharply in this generation, as shown by the general increase in the expectation of life at all ages, but most for the young. Fertility has also fallen sharply in almost all countries and, in many, reproduction is no longer sufficient to maintain the population. This fact is masked because the reproductive middle-age groups happen to be exceptionally large. But the proportion of old-age groups tends to increase. In England, for instance, children under 10 were over a fifth of the population in 1911, about a seventh in 1936; whereas people over 50 were less than a sixth in 1911 and nearly a quarter in 1936.

There is a new table on alcohol showing its importance for industry as well as for human consumption. Another new table on the production of sulphuric acid contains the most complete information for a series of years so far published on this subject. Another table contains the world index of stocks made for the League’s volume on *Production and Prices*. The tables on currency show that every country in the world has devalued or controlled its exchange in recent years, and that there is now only one country which has fixed and is effectively applying a new gold parity.

The following examples, selected at random, illustrate the wide range of information which can be obtained.

The German birthrate, which in 1933 fell to 14.7 par mille, amounted to 19 par mille in 1936 and 18.8 par mille in 1937. The production of foodstuffs and raw materials, according to the League Index, increased by nearly 6% in 1937, and is 16% higher than it was ten years ago. State expenditure and public debt have increased. Gold production has doubled in the last ten years, and shows a record, as do silver, several other metals and petroleum. The volume of air traffic increased four times between 1931 and 1936, and reached a record in 1937.
The Review of World Trade, 1937, was published on July 16th, 1938. It contains a general synopsis of trade during 1937 and a comparison of the figures of that year with those of the immediately preceding years and with 1929. In an annex, price and quantum figures published in earlier editions are given, back to 1924. Special attention has been paid to the changes which took place in world tendencies during the course of last year.

The volume opens with a summary of the chief results, which is followed by sections on value and quantum of world trade in the years 1929-1937; trade by main groups of articles; trade by continental groups; trade by countries; analysis of the trade of principal countries in 1937; trade in certain staple products; geographical distribution of trade. There are four annexes giving statistical tables.

The main conclusions to be drawn from the analysis of world trade in 1937 are given as follows:

(a) The value of world trade in terms of gold increased by 23% in 1937, or three times as much as in 1936. The prices of goods entering into trade rose, however, by 8-9%; the quantum of trade accordingly increased by about 13% (as against about 5% in each of the two preceding years) and was only about 3% below the level of 1929.

(b) The quantum of raw materials is estimated to have exceeded the 1929 level by 11-12%, but that of foodstuffs and manufactured articles to have been lower than in 1929 by 7% and 14% respectively.

(c) The barter terms of trade of raw-material countries, after a steady improvement since 1932, reached their most favourable position in the early part of 1937 and deteriorated with the fall in the prices of numerous primary products that occurred in the course of the year.

(d) This change in market conditions was due largely to the reduction in the imports of raw materials by the United States on account of her declining industrial activity, but a contributory factor was the reduction in the purchases of Japan after the outbreak of her conflict with China.

(e) Armaments in Europe and Japan and capital equipment activities in most countries caused an exceptional demand for iron and steel, met in part by exports from the United States.

(f) Trade in manufactured articles expanded particularly on account of the great demand from raw-material countries and from the United Kingdom, whose imports of such articles exceeded, in quantum, the previous record level of 1931.
The industrial countries profiting most from the increase in the demand for manufactured articles in 1937 were the United States, Germany and the minor industrial countries of Europe; the exports of the United Kingdom, though rising, were checked towards the end of the year by her increased domestic demand, and those of France showed but slight progress.

The United States trade balance, which was passive in 1936, became largely active in 1937; on the other hand, the import surplus of the United Kingdom rose by a quarter, and the trade balance of almost all raw-material countries became less active (or more passive).

The 1937/38 volume on *World Production and Prices* was issued on August 24th, 1938. This volume has a wider scope than previous editions and its form has been somewhat modified. It begins with a chapter on general trends of world production from 1920 to 1927 which contains the main statistics for this period and enables some general conclusions to be drawn as to the development of production. The world indices of primary production and stocks are calculated, as in previous editions, on the basis of averages for 1925-1929 = 100. But the former have, as far as possible, been calculated back to 1920, so as to afford a better view of the general trend. New world indices of the manufacture of capital and consumption goods have been calculated, and new sections added concerning production per head of population and yearly rates of progress.

Chapter II shows how the broad changes in production have affected employment and unemployment.

Chapter III illustrates the lack of uniformity in the development of industrial production in different countries during the second half of 1937 and the first half of 1938.

Chapter IV analyses by groups of commodities or industries the information on world production presented in Chapter I and gives in addition statistics of stocks and consumption of important commodities.

Chapter V examines to what extent the changes in the production of primary goods and in industrial activity are reflected in changes in the quantum of international trade, and also deals with changes in the volume of shipping.

Chapter VI deals with the price movements of primary products and the relation between industrial costs and selling prices. Tables are appended showing the movement of wholesale price
indices and indices of the cost of living from 1926 to 1938 for all countries for which such figures are available.

Chapter VII attempts to collate available material on fluctuations in industrial earnings and contains a new section on farm income.

An interesting feature is a summary of the principal facts brought out by this volume. These facts are too numerous to mention in detail, but it may be stated that, as compared with 1929, world primary production in 1937 was 10% higher, the output of crude foodstuffs 6%, and of industrial raw materials 19%, while world visible stocks of primary commodities were 6% lower. The concurrent increase in world manufacture amounted to about 20%. The simultaneous decline in the international exchange of commodities was reflected by a decline of 3% in the quantum of world trade from 1929 to 1937.

Though the necessary basis for forming a judgment concerning future developments is still lacking, it is pointed out that, in spite of a certain decline, world economy as a whole has shown a relatively high degree of resistance to depressive influences.

The 1937/38 edition of the World Economic Survey will be published in time for the Assembly. It is the seventh annual publication in this series. The volume is based largely upon the more specialised publications of the Economic Intelligence Service, and upon information supplied by other bodies and, in particular, by the International Labour Office. It presents, both for the economist and for the general reader, an outline of the important change in trend of economic development which has occurred during the last year as a result of the decline in economic activity.

The greater part of the first chapter is devoted to an analysis of the causes of the recession, particularly in America, and to the effects of the recession on economic conditions in other countries. In the same chapter, the peculiar economic difficulties of France are examined; and the economic situation at the end of 1937 in Germany, the United Kingdom, Japan and a number of other countries is briefly described.

The Survey does not attempt to answer the questions whether the setback is a relatively minor recession or the beginning of a major depression; whether adequate measures are being, or
could be, taken to check it; and to what extent it will affect other countries. But, by its clear presentment of the main economic events, it may aid in the formation of an opinion.

The effect of the general recession in trade activity is the main theme which runs through the following chapters of the volume. The fall in employment and the reappearance of unemployment in many countries, the decline in production and the accumulation of stocks of primary products, the change in the trend of prices from a rising to a falling movement, the fall in the quantum and the value of world trade after a period of considerable expansion — these are the main subjects of successive chapters. Emphasis is also laid upon the change in the trend of commercial policy which has resulted from the decline in world economic activity, since in a number of cases a period of liberalisation of tariffs, of quotas and exchange controls has given place to increased restrictions. In a similar way attention is drawn to the effect of the recession in causing a sharp restriction in the production and export of those primary products which have been subjected to schemes of international regulation.

But in addition to the central theme which runs through the volume, there are a number of interesting special features in the different chapters. Chapter II contains an analysis of the relations between wages and employment. In Chapter III, figures are given of rates of change of production in different regions of the world and for different groups of commodities; and in the same chapter there is an interesting discussion of the connections between employment and labour productivity in recent years. Part of the following chapter on prices is devoted to a discussion of recent changes in certain price relationships, such as the relations between wholesale prices and the cost of living, between agricultural and non-agricultural prices, and between selling prices and costs of production. The chief causes for the increases in monetary supplies since 1929, such as the increased value of gold reserves, is one of the special topics of the fifth chapter, which also contains a description of recent monetary policy in the United States and in other countries. Chapter VI on international trade includes a diagram expressing the exports of some sixteen countries as a percentage of their national incomes, which gives a picture
of the relative importance of export trade in different countries at different periods of time; and the following chapter contains sections on international capital movements, on dehoarding and hoarding of gold, and on the recent history of the French franc. The eighth chapter, which is devoted to commercial policy, includes discussions of the van Zeeland report, of the negotiation for an Anglo-American trade agreement, and of the economic effects of the incorporation of Austria into Germany.

The final chapter should be of particular interest to the general reader. After a short summary of the course of the recent depression in economic activity, the years 1929/30 are compared with 1937/38 in order to assess the probability of the present recession developing into a slump comparable with that which followed 1929. In making this comparison, stress is laid upon such fundamental alterations in economic conditions as the abandonment of the gold standard, the changes in tariffs, quotas and exchange controls, the policies of self-sufficiency adopted by a number of countries, and the changed attitude of Governments towards economic intervention and, in particular, towards monetary policy and public expenditure. A special section is devoted to the present scale of national expenditures on armaments and to recent policies of monetary expansion and public expenditure, such as the "spending-lending" programme of the United States. A final section discusses the stock exchange recovery which has developed in the United States since the middle of June 1938, and summarises the reasons for and against the belief that this marks the end of the recession in trade which has deepened since the middle of 1937.

The Committee of Statistical Experts reported to the Council after its annual meeting in July.¹

It reconsidered the international minimum programme for statistics of gainfully-occupied population in the light of numerous observations from Governments. The revised programme does not differ substantially from the provisional one.

¹ Document C.226.M.128.1938.II.A.
Most of the observations of the Governments related to points of secondary importance and were not always reconcilable. The Council has been asked to circulate the revised programme to Member and non-member States and to invite them to carry it out at the next census of population in 1940. The minimum programme has been published as No. 1 in a new series of studies and reports on statistical methods, and its main provisions are summarised in the report of the Committee itself.\footnote{Document C.226.M.128.1938.II.A.} An appendix to the report of the Committee of Statistical Experts contains a minimum programme for collecting statistics relating to actual housing accommodation, as requested at the last session of the Assembly. It deals with such questions as the geographical scope of general housing censuses, the definitions of basic units, such as "the room", "dwellings", "households" and "occupants", the characteristics of dwellings, occupation of dwellings and rooms, and statistics of buildings. This programme is also to be submitted for comment by Governments, so that the final recommendations on the subject may be available for the 1940 census.

The Committee of Statistical Experts has done further work on the minimum list of commodities for international trade statistics. While a large number of Governments have adopted the classification of the items of the minimum list by sections and chapters, a number of them have not been able to adopt the classification of items by stages of production and use, to which the Committee attaches great importance. Accordingly, a summary classification has been prepared which, it is hoped, will overcome the present difficulties, and the Council has been asked to invite Governments which have not already done so, to adopt the minimum list and in appropriate cases to give the reasons which have prevented them so far from adopting the classification by stage of production and use. Another section of the Committee's report contains theoretical and practical guidance to countries which intend to compile indices of industrial production, and similar recommendations regarding the compilation of timber statistics. A beginning has been made with the study of financial statistics by taking banking, capital issues and insurance. It is to be continued with balance-sheets and
profit-and-loss accounts. A systematic study of the question of balances of payments is being undertaken, with a view to making some progress by defining the nature of the statements to be prepared, laying down rules as to the general principles and the terminology to be used, and possibly drawing up a revised standard plan with explanatory notes for the presentation of balances of payments and balances of international assets and liabilities.

Finally, the Committee has carefully considered the offer, through the Danish Government, of the Otto Mønsted Foundation to place at the disposal of the Secretariat a permanent exhibition of graphs relating to current economic and financial conditions. It has examined in detail such questions as the public which would be interested in such an exhibition, where it should be placed, the subjects which should be illustrated, the forms the graphs should take and the cost involved. Under the plan prepared by the Committee of Statistical Experts, they should demonstrate the economic and financial interdependence of nations. The exhibition would be situated in the building of the League, in rooms easily accessible to delegates, committee members, journalists and tourists visiting the building. The gift would entirely cover the cost of preparing the exhibition as well as the general expenses for upkeep, heating, lighting, supervision, etc., for two years.
The Committee for Communications and Transit held its twenty-first session at Geneva from August 1st to 4th, 1938. The conclusions which it reached on the various questions in its province and the resolutions which it adopted regarding them naturally take a large place in the following summary.¹

**Disputes relating to the reorganisation of the railways of the former Austro-Hungarian Monarchy**

*Request submitted under Article 320 of the Treaty of St. Germain-en-Laye by the Zeltweg-Wolfsberg and Unterdrauburg-Woellan Railway Company, Vienna.*²

The arbitrators appointed by the Council on September 29th, 1937, fixed the time-limits for the submission of memoranda and counter-memoranda.

The railway company having meanwhile withdrawn its request and the two Governments of the States territorially concerned having raised no objection, the Board of Arbitrators placed on record this withdrawal by its award of June 29th, 1938.

¹ See document C.266.M.159.1938.VIII.
Request submitted by the Noskovci-Slatina-Nasice Local Railway Company Limited, Belgrade.¹

As a result of communications received from the parties concerned, the Committee of Experts set up by the Committee for Communications and Transit thought it advisable, in December 1935, to postpone the examination of the question.

On July 15th, 1938, however, the Noskovci-Slatina-Nasice Local Railway Company sent a letter to the Secretary-General of the League of Nations in which it informed him that the matters it had brought before the League of Nations during the years 1934 and 1935 had been finally settled by the Yugoslav Government and that it accordingly withdrew the request it had submitted in virtue of Article 304 of the Treaty of Trianon for the appointment of arbitrators.

EXEMPTION FROM TAXATION OF LIQUID FUEL USED FOR AIR TRAFFIC ²

At the Council session in January 1936, His Majesty's Government in the United Kingdom had been authorised to make the necessary arrangements to open in London at an early date for signature by European States the Agreement concerning the exemption from taxation of liquid fuel used in air traffic, the text of which had been submitted to the Council by the Committee for Communications and Transit.

The United Kingdom Government sent the Secretary-General of the League of Nations two letters dated April 26th and June 8th, 1938, regarding the action taken by it on the above-mentioned decision of the Council. In the first of these letters, the United Kingdom Government explained that since the end of 1936 His Majesty's Government had been in communication with all European Governments with a view to carrying out the mandate entrusted to it. As, however, the diplomatic correspondence had given rise to many different points, His Majesty's Government

² Ibid., page 139.
had come, in the first place, to the conclusion that a conference afforded the best prospect of obtaining international agreement on the matter in question; it therefore proposed to take the necessary steps to invite the European Governments to a conference in London. The Minister for Foreign Affairs of the United Kingdom requested the Secretary-General to inform the Members of the Council of the intentions of His Majesty’s Government in this connection.

In its letter of June 8th, 1938, the United Kingdom Government stated that, in the course of the diplomatic correspondence on this subject, the question had been raised as to the desirability of arranging for the inclusion of non-European Governments by making provision in the original draft agreement for the accession of such Governments. In view of the importance of air communications in Africa and Asia, His Majesty’s Government was of the opinion that non-European Governments should be invited to participate in the forthcoming conference on the same basis as European Governments. As the extension of the agreement to non-European Governments was not expressly contemplated in the mandate entrusted to the United Kingdom under the decision of the Council, the Minister for Foreign Affairs of that Government requested the Secretary-General to inform the Members of the Council of His Majesty’s Government’s intention to invite not only European countries but all countries to participate in the forthcoming conference.

The Secretary-General has complied with this request.

Road Traffic

Report of the Committee on Road Traffic on its Twelfth Session.

The Committee for Communications and Transit examined the report of the Committee on Road Traffic on its twelfth session held at Geneva from April 25th to 30th, 1938. ¹

It approved the conclusions contained in this report, and in accordance with the wish expressed by the Committee on Road

Traffic, it requested the Secretary-General to send a questionnaire to the Governments of non-European States on the direction of traffic.

**Unification of Statistics relating to Road Traffic Accidents**

The Committee decided at its twentieth session to request the Council to communicate the recommendations of the Committee for the Unification of Statistics relating to Road Traffic Accidents to Governments in order that they should in future draw up their statistics on the subject as far as possible in accordance with the recommendations and tables annexed to the report, and should inform the Secretary-General of the League of Nations before December 31st, 1940, of any experience they might have gained and of any other observations they might see fit to make. The Council endorsed this decision and the Secretary-General accordingly communicated the document in question to the Governments. As the time-limit does not expire until the end of 1940, only a small number of replies, all of a favourable nature, have so far been received by the Secretariat.

The Committee also decided that the results of the work of the Committee for the Unification of Statistics relating to Road Traffic Accidents should be communicated to the eighth International Road Congress which was held at The Hague in June and July 1938. The Committee’s report was forwarded to the General Rapporteur of the Congress on the question of the unification of statistics relating to road traffic accidents, and the national reports of several Government delegations gave it prominence. The conclusions adopted by the Congress were largely based on the recommendations of the Committee set up by the Communications and Transit Organisation.

**Codification of Road Law.**

The Committee on Road Traffic, when it made its preliminary examination of the two Conventions of April 24th, 1926, regarding motor traffic and road traffic respectively and of the Convention of March 30th, 1931, on the Unification of Road Signals, with a
view to their revision in the light of the proposals of certain groups of road users, expressed the opinion that the study should be pursued by a Special Committee to be set up later.

This Committee, under the name of Committee of Experts for the Codification of Road Law, met from July 25th to 27th, 1938. It considered that it should endeavour, on the one hand, to arrange for a revision of the technical provisions of these Conventions in the light of recent progress, and, on the other hand, to secure the greatest possible relaxation of the administrative and legal rules governing the admission of motor vehicles and drivers from one country to another. It proceeded first of all to review and supplement the preliminary work done by the Committee on Road Traffic. During this first session, it was only able to deal with the revision of the 1926 Convention relating to motor traffic. The Committee considered that, as regards this first subject, certain supplementary studies were necessary in view of the complexity of the questions raised, and decided to resume its examination at a later session. It reserved the right to invite, at the proper time, the co-operation of a few international organisations concerned in the question.

**Signals at Level-crossings**

In 1937, the Committee for Communications and Transit instructed the Special Committee of Experts which had put forward proposals on signals at level-crossings to draw up a preliminary draft Convention on the basis of its previous work and of the replies received from Governments.

After examining the Special Committee's report and the preliminary draft convention accompanied by detailed technical regulations on signals at different types of level-crossings, the Committee for Communications and Transit decided to transmit this document to the Council with the request that a conference of the States interested should be convened as soon as possible. This conference would take the preliminary draft convention mentioned above as a basis of discussion.

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Co-ordination of Transport

A questionnaire sent to the Governments in September 1936 has elicited a considerable amount of information. Thirty-four European and non-European countries have sent replies to the Secretariat, some of them very detailed. The Committee for Communications and Transit had authorised its Chairman, when the time came, to set up a Committee of Experts which would follow closely the classification and analysis of the data collected and would establish for the Committee, with the Secretariat's assistance, a report stating the facts ascertained and any conclusions suggested by the results of the enquiry. At its last session, the Committee for Communications and Transit defined the procedure to be followed and decided that the result of the classification of the replies received by the Secretariat should be printed and sent to the Governments by January 1st, 1939, in order that the latter might revise the information given and complete it if necessary. The Governments which had not yet replied to the questionnaire would be asked to do so without delay.

Once this consultation had been completed, the information supplied would be classified systematically, supplemented by the Secretariat and summarised under the guidance of the Committee of Experts provided for in the resolution adopted by the Committee in 1937. The documentary material thus obtained would provide a basis for the work of the special committee responsible for drawing up conclusions.

Passports

(a) Enquiry on the Action taken on the Recommendations of the 1926 Passports Conference.

In pursuance of a resolution adopted by the Committee for Communications and Transit in 1937, the Governments which had not yet sent their replies to the enquiry on the action

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1 See Report on the Work of the League, 1936/37, Part II, pages 34 and 35.
2 Ibid., page 33.
taken on the recommendations of the 1926 Passports Conference were invited to do so. A summary of the replies received was communicated to the Committee, which duly noted the situation shown therein.

(b) Identity Documents for Navigating Personnel in Air Transport Companies.

On the proposal of one of its members, the Committee for Communications and Transit decided to set up a Committee of Experts to study the question of identity documents for navigating personnel in air transport companies with a view to obtaining for its personnel facilities similar to those at present granted in virtue of bilateral or plurilateral agreements to the personnel of maritime and river navigation companies. This question is of practical importance in view of the nature of air transport, which sometimes necessitates the replacement of a member of the crew at the last moment and special flights outside the ordinary schedules.

PUBLIC WORKS

In accordance with a decision taken by the International Labour Conference in June 1937, the Governing Body of the International Labour Office has set up the new International Public Works Committee on which the Communications and Transit Organisation has the right to be represented. This new Committee held its first session in June 1938, which was chiefly devoted to the establishment of "a uniform plan for the supply of information". On the basis of this plan, the Governments will be requested, through the International Labour Office, to furnish the Committee with particulars of public works in their respective countries. It will therefore not be until its next session, which will take place in the summer of 1939, that the Committee will be able to proceed to the examination of the material received from Governments, to draw conclusions therefrom and to make any recommendations that may be called for.

REFORM OF THE CALENDAR

As all the replies of the Governments to the enquiry undertaken in pursuance of the Council's resolution of January 1937 had not yet reached the Secretariat in time for the twentieth session of the Committee for Communications and Transit, the replies received subsequently were communicated to the Committee at its last session. An examination of these further replies, fourteen in number, shows that their distribution among the different categories established by the Committee at its last session was much the same as that of the replies already analysed. Consequently, the Committee did not consider that there was any need for it to modify the decision already taken on the subject.

PROPOSAL OF THE CHINESE GOVERNMENT REGARDING THE YELLOW RIVER FLOODS

The Secretary-General of the League of Nations communicated to the Committee for Communications and Transit a letter from the Chinese Government dated July 26th, 1938, requesting that the League should urgently undertake the necessary measures to control the Yellow River floods, check their extension and prevent their recurrence.

The Chinese Government desired that these measures should consist in the framing of schemes and the supervising of the execution of the necessary conservancy measures for the areas affected by the floods.

The Secretary-General, in communicating the Chinese Government's letter to the Committee, requested it to give a preliminary opinion as to the technical conditions in which such a task, if accepted, could be undertaken under the responsibility of the League of Nations.

After reviewing the question as a whole and making general observations on the present state of affairs, the Committee

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defined those conditions. In its opinion, if this task was to be carried out with the maximum chance of success, it would be necessary:

(1) To have adequate technical documentation on the Yellow River, its regime, the situation of its outflow basin and the topography of the flooded areas;

(2) To send to China a sufficient number of foreign experts to draw up schemes, to organise services and works and supervise their execution;

(3) To obtain from the Chinese Government for the execution of such measures the necessary number of Chinese engineers and the requisite subordinate technical staff.

The Committee for Communications and Transit considered that if those conditions could not be guaranteed it would be difficult for the League to assume responsibility for the measures in question.


As a result of the adoption by the Council on January 29th, 1938, of the new Statute of the Communications and Transit Organisation, which had been drafted by the Special Committee of that Organisation and a small Council Committee, the Committee revised some of the provisions of its Rules of Procedure so as to bring them into line with the new Statute, taking into account the directions given by the Council.

GENERAL REPORT ON THE WORK OF THE COMMITTEE SINCE ITS LAST ELECTION

In accordance with Article 25 of the new Statute of the Communications and Transit Organisation, the Committee drew up

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1 See Part I of this report, pages 174 and 175.
2 Document C.95.M.48.1938.VIII.
3 See Official Journal, February 1938, page 111.
a general report on the work done by it since the fourth General Conference on Communications and Transit (October 1931) at which the present Committee was elected.

This report is submitted to the Assembly.¹

**WIRELESS STATION OF THE LEAGUE OF NATIONS²**

The Committee for Communications and Transit took note of the Secretary-General’s report on the operation of the station during the year 1937 and of the report of the Secretary-General’s representative at the International Telecommunications Conferences held at Cairo in 1938.

It observed with satisfaction that the operation of the station was continuing under very favourable conditions.

It noted with pleasure the decisions taken by the Cairo Conferences which, having regard to the special juridical position of the Radio-Nations station, enabled the competent League body to co-operate adequately in the work of the various organs of the International Telecommunications Union.

The Committee requests the Assembly to approve these decisions.

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¹ See document A.22.1938.VIII.
² See Part I of this report, page 207.