LEAGUE OF NATIONS

COMMISSION OF ENQUIRY
FOR EUROPEAN UNION

MINUTES
OF THE
THIRD SESSION OF THE COMMISSION

Held at Geneva from May 15th to 21st, 1931.
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LIST OF MEMBERS.

President: His Excellency M. Aristide Briand,
Minister for Foreign Affairs (France).

Albania:
M. Lee Kurti, Resident Minister, Permanent Delegate accredited to the League of Nations.

Austria:
His Excellency Dr. Johannes Schober, Vice-Chancellor of the Austrian Republic, Minister for Foreign Affairs.
His Excellency M. Emerich Pflügl, Envoy Extraordinary and Minister Plenipotentiary, Permanent Austrian Representative accredited to the League of Nations.

Belgium:
His Excellency M. Paul Hymans, Minister for Foreign Affairs.
M. Fernand J. Van Langenhouve, Secretary-General of the Ministry for Foreign Affairs.

British Empire:
Sir Walford Selby, C.B., C.M.G.
Professor P. J. Noel Baker, M.P.
Sir William Malkin, K.C.M.G., C.B., K.C.
The Honourable Alexander Cadogan, C.M.G.
Sir Sydney Chapman, K.C.B.
Sir Arthur Willert, K.B.E.
Mr. E. H. Carr, C.B.E.
Mr. L. Robertson-Fullarton.

Bulgaria:
His Excellency M. Bogdan Mokhoff, Bulgarian Minister in Paris.
M. Dimitri Mikoff, Chargé d’Affaires in Switzerland, Permanent Bulgarian Representative accredited to the League of Nations.

Czechoslovakia:
His Excellency Dr. Eduard Beneš, Minister for Foreign Affairs.
His Excellency Dr. Kamil Krofta, Envoy Extraordinary and Minister Plenipotentiary, Secretary-General to the Ministry for Foreign Affairs.

Denmark:
His Excellency Dr. Peter Munch, Minister for Foreign Affairs.
His Excellency Dr. Laust Moltesen, former Minister for Foreign Affairs.
M. William Borberg, Permanent Danish Delegate accredited to the League of Nations.
M. E. Waerum, Chief of Section at the Ministry for Foreign Affairs.

Estonia:
His Excellency M. Auguste Schmidt, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.

Finland:
His Excellency Baron A. S. Yrjö-Koskinen, Minister for Foreign Affairs.
His Excellency M. Rudolf Holsti, Envoy Extraordinary and Minister Plenipotentiary at Berne, Permanent Delegate accredited to the League of Nations.
M. Evald Gylenbögel, Counsellor of Legation at Berne and of the Permanent Delegation accredited to the League of Nations.
M. Paivo Tarjanne, Secretary at the Ministry for Foreign Affairs.

France:
His Excellency M. Aristide Briand (President), Minister for Foreign Affairs.
His Excellency M. François-Poncet, Under-Secretary of State in the Prime Minister’s Department.
Germany:
Dr. Julius Curtius, Minister for Foreign Affairs.
Dr. Friedrich Gaus, Director at the Ministry for Foreign Affairs.
Dr. Ritter, Director at the Ministry for Foreign Affairs.
Dr. H. E. Posse, Director at the Ministry of Commerce.
Dr. Zecllin, Director of the Press Department.
Baron Weiszäcker, Privy Councillor.
M. Woermann, Counsellor of Legation.

Greece:
His Excellency M. A. Michalakopoulos, Vice-President of the Council of Ministers, Minister for Foreign Affairs.
His Excellency M. N. Politis, former Minister for Foreign Affairs, Minister of Greece in Paris.
M. E. Tsouderos, former Minister of Finance, Deputy-Governor of the Bank of Greece.
M. R. Raphaël, Permanent Delegate accredited to the League of Nations.
M. B. P. Papadakis, Chief of the League of Nations Office at the Ministry for Foreign Affairs.

Hungary:
His Excellency Count Jules Karolyi, Minister for Foreign Affairs.
His Excellency General Gabriel Tánzos, former Minister for Foreign Affairs.
His Excellency M. Alfred de Nickl, Envoy Extraordinary and Minister Plenipotentiary.
Baron Gabriel Apor, Counsellor of Legation, Political Director at the Ministry for Foreign Affairs.
M. Jean Pelenyi, Resident Minister, Chief of the Hungarian Delegation accredited to the League of Nations.
M. Iszó Ferenczi, Under-Secretary of State at the Ministry of Commerce.
M. Tibor Pechy, Ministerial Counsellor at the Ministry of Agriculture.
M. Alexandre Antalffy, Secretary at the Ministry of Agriculture.

Irish Free State:
The Honourable Patrick MacGilligan, Minister for Foreign Affairs.
M. Sean Lester, Permanent Delegate accredited to the League of Nations.

Italy:
His Excellency M. Dino Grandi, Minister for Foreign Affairs.
His Excellency M. Giuseppe de Michelis, Ambassador, Senator.
M. Agco Arcangeli, Member of the Chamber of Deputies, Representative of the Agricultural Corporation.

Latvia:
His Excellency M. Jules Feldmans, Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.

Lithuania:
His Excellency Dr. Zaunius, Minister for Foreign Affairs.
His Excellency M. P. Klimas, Lithuanian Minister in Paris.

Luxembourg:
His Excellency M. Joseph Bech, Minister of State, Prime Minister, Minister for Foreign Affairs.
M. Albert Wehrer, Doctor of Law, Governmental Adviser.

Netherlands:
His Excellency Jonkheer F. Beelaerts van Blokland, Minister for Foreign Affairs.
Professor J. P. A. François, Chief of the League of Nations Section at the Ministry for Foreign Affairs.
Dr. J. A. Nederbragt, Director of Economic and Commercial Affairs at the Ministry for Foreign Affairs.

Norway:
His Excellency M. Birger Braadland, Minister for Foreign Affairs.
His Excellency M. Erik Colban, Norwegian Minister in Paris.
M. Rolf Andvord, Chief of Division at the Ministry for Foreign Affairs.
M. Rolf Andersen, Secretary at the Ministry for Foreign Affairs.
Poland:
His Excellency M. Auguste ZALESKI, Minister for Foreign Affairs.
His Excellency M. François Sokal, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.
His Excellency M. Marjan SZUMLAKOWSKI, Envoy Extraordinary and Minister Plenipotentiary, Director of the Bureau of the Minister for Foreign Affairs.
His Excellency M. A. MUHLSTEIN, Minister Plenipotentiary, Counsellor of Embassy in Paris.
M. Sokolowski, Director of Department at the Ministry of Commerce and Industry.
M. A. Roman, Economic Counsellor at the Ministry for Foreign Affairs.
M. Lechnicki, Deputy-Director of the Western Division at the Ministry for Foreign Affairs.
M. Thadée Gwiazdowski, Counsellor of Legation at the Permanent Delegation accredited to the League of Nations.

Portugal:
His Excellency Dr. Augusto DE VASCONCELLOS, former Prime Minister, former Minister for Foreign Affairs, Envoy Extraordinary and Ministry Plenipotentiary, Director of the Portuguese Service accredited to the League of Nations.
Dr. José Lobo d'AVILA LIMA, Professor at the University of Lisbon, Legal Adviser at the Ministry for Foreign Affairs.

Roumania:
His Excellency M. Nicolas TITULESCO, Envoy Extraordinary and Minister Plenipotentiary, former Minister for Foreign Affairs.
His Excellency M. Constantin ANTONIADE, Envoy Extraordinary and Minister Plenipotentiary accredited to the League of Nations.
M. Cesar POPESCU, General Director at the Ministry of Industry.

Spain:
His Excellency M. Alejandra LERROUX, Minister for Foreign Affairs.
M. Julio López OLIVAN, Chief of the Political Section at the Ministry for Foreign Affairs.
M. Fernando Ramírez DE VILLARRUTIA, Secretary of Embassy.
M. Francisco BERNIS CARRASCO, Secretary-General of the Supreme Banking Council.

Sweden:
His Excellency Baron S. G. F. T. RAMEL, Minister for Foreign Affairs.
His Excellency M. K. L. WESTMAN, Envoy Extraordinary and Minister Plenipotentiary at Berne.
M. E. C. BOHEMAN, Director of Political Affairs at the Ministry for Foreign Affairs.
M. P. G. A. WIKKMAN, First Secretary at the Ministry for Foreign Affairs.

Switzerland:
His Excellency M. Giuseppe MOTTI, Federal Councillor, Head of the Political Department.
M. G. BACHMANN, President of the Governing Board of the National Bank of Switzerland.
M. H. Blau, Director of the Federal Department of Taxation.
M. HOTZ, Assistant Director of the Commercial Section.
M. Camille GORGE, Head of Section in the Political Federal Department.

Yugoslavia:
His Excellency M. Voislav MARINKOVITCH, Minister for Foreign Affairs.
His Excellency M. Ilia CHOUMENKOVITCH, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.
His Excellency M. Constantin FOTTICH, Envoy Extraordinary and Minister Plenipotentiary, Director of Political Affairs at the Ministry for Foreign Affairs.
Dr. Ivan PERNÉ, Chief of Section at the Ministry for Foreign Affairs.
Dr. Milan Todorovich, Professor at the University of Belgrade.
M. Bogidar KOVATCHEVITCH, Chef de Cabinet to the Minister for Foreign Affairs.
GOVERNMENTS INVITED.

Iceland:

His Excellency M. Sveinm Bjoernsson, Minister at Copenhagen.

Union of Soviet Socialist Republics:

M. Litvinoff, People's Commissar for Foreign Affairs.
M. Leon Khintchuk, Ambassador Extraordinary and Minister Plenipotentiary of the Union of Soviet Socialist Republics at Berlin.
M. Boris Stein, Chief of Department in the People's Commissariat for Foreign Affairs.
M. Vladimir Sokoline, Deputy, Chief of Department in the People's Commissariat for Foreign Affairs.
M. Boris Rosenblum, Deputy-Chief of Department in the People's Commissariat for Foreign Affairs, Expert Legal Adviser.
M. Michel Zaletine, Secretary.

Turkey:

His Excellency Dr. Tevfik Rouchedy Bey, Minister for Foreign Affairs.
Mustapha Chereh Bey, Minister of National Economy.
Hassan Bey, Vice-President of the Grand National Assembly.
Cevat Bey, Director-General at the Ministry for Foreign Affairs.
Suphi Ziya Bey, Political Counsellor at the Ministry for Foreign Affairs.
Suphi Bey, Managing Director of the Agricultural Bank of Turkey.

OBSERVERS.

China:

His Excellency Dr. Woo Kaiseng, Minister Plenipotentiary, Director of the Permanent Office of the Chinese Delegation to the League of Nations.
M. C. N. Lou, Secretary of Embassy.

Canada:

M. P. E. Renaud, Secretary at the Canadian Office.
FIRST MEETING (PRIVATE, THEN PUBLIC).

Held on Friday, May 15th, 1931, at 11 a.m.

Chairman: M. Aristide Briand (France).

17. Adoption of the Agenda of the Session.

The Chairman [Translation]. — The Commission of Enquiry has before it the provisional agenda (Annex 1) drawn up by the Organisation Sub-Committee. Since the provisional agenda was prepared, two proposals have been received, one from the German Government (Annex 2), the other from the Italian Government (Annex 3). I suggest that they should be added to Part III of the agenda.

The provisional agenda, as amended, was adopted.

(The Commission went into public session.)

18. Opening of the Session.

The Chairman [Translation]. — In declaring open the third session of the Commission of Enquiry for European Union I offer you all a very hearty welcome and, as Chairman, I would remind you of the decisions taken four months ago and the work done since then to carry them out.

In January we decided by common agreement to study, first and foremost, the economic crisis, not that that crisis is our only object, but because, at the present juncture, it both constitutes the most direct menace to European harmony and is the most conspicuous sign of the inorganic condition of Europe, to which we all feel it is urgently necessary to put an end.

In the programme of work that has been drawn up the first place has of set purpose been given to the study of the world economic depression, in so far as it affects Europe as a whole. Of set purpose again, before starting our enquiries we decided to hear a statement by the President of the Conference with a view to Concerted Economic Action concerning the efforts made since 1927 in the economic field. The work achieved in this matter by the League still remains the basis of the work of the Commission of Enquiry for European Union. The results achieved, the inevitable postponements, even the reverses that have been sustained are a lesson which we cannot disregard.

As the problem is one that, according to our definition, concerns Europe as a whole, we were anxious that Europe as a whole should be summoned to take part in our discussions, and for this purpose we have made use of the right conferred on us by the Assembly in its resolution of September 17th, 1930, and invited the European States non-members of the League to our table.

Our programme is a general one, and we have mapped out its main lines. Within the four corners of that programme place has logically been found for a more definite programme, one capable of more immediate accomplishment, connected with one of the individual and regional aspects of the economic slump. I refer to the agricultural depression in the Central and Eastern European countries. There was reason to hope that a prompt remedy could be found for the crisis by studying either the most suitable means for overcoming the stagnation on the grain market or by studying the question of organising credits, whereby the burdens that agriculture has at present to bear in many countries might be lightened.

The work which the Commission contemplated with this aim in view has proceeded normally in accordance with the programme we drew up. The time-limits we fixed have been observed. Thus, a meeting for the disposal of the 1930 grain stocks was held from February 23rd to 25th; the European Committee set up to enquire into the problem of the exportation of the surplus of future grain harvests met on February 26th; the European Committee appointed to consider the organisation of an international agricultural credit institute met on April 20th and May 13th.

Of these meetings, the first two perhaps have not entirely fulfilled the hopes placed in them by the States concerned. Who however would dare to argue that they were useless ? The Committee which met on February 23rd achieved one important result in bringing out the fact that the non-European countries have nothing to fear in the way of competition from the grain stocks in the Danubian countries and that accordingly we can continue our work without giving cause for any alarm elsewhere. This fact has done much to facilitate the co-operation which, to our great satisfaction, materialised later at the International Conference in Rome between the agricultural countries of the various continents; that co-operation will be seen again at a fresh meeting a few days hence and, we hope, will lead to a general understanding.

Nor can it be asserted that the discussions in the Committee which met on February 26th, as to preferential treatment for the grain of the Danubian countries, have not helped to clarify our ideas on this very controversial subject and to pave the way for the solutions which we have to examine at the present session.
The meeting of the Committee set up to study the question of the foundation of an international agricultural credit institute was preceded by some admirable preparatory work in the technical field, the credit for which must go to a delegation of the League's Financial Committee. This European Committee was therefore placed in possession of drafts which it was entirely free to appreciate on the basis of the budgetary, social, and political needs of the different countries to whose agricultural economy this credit machinery was to be applied or who would be asked to help in setting up the machinery. Certain criticisms and concrete suggestions have been put forward. Both have been examined by the Financial Committee, and the latter has settled in every detail the draft Convention which we shall have to study before it is submitted to the Council of the League.

Such is the balance-sheet of the work achieved in four months under the instructions of the Commission of Enquiry for European Union. It is one that justifies a certain feeling of confidence on the part of the Commission. I will not say satisfaction, for the time has not yet come when we are entitled to call a halt, and look back and congratulate ourselves on the road we have followed. At the end of this first stage, we see a new stage to be accomplished, more arduous and more difficult than the former.

When we have completed our examination of the reports from our Organisation Sub-Committee and Technical Sub-Committees and the other items on our provisional agenda, we shall have to deal with that other major question which has recently been brought before us by Dr. Curtius, "The development of Customs relations in Europe". This proposal raises the problem of the economic depression in Europe in one of its most perplexing aspects, for which a solution is most urgently needed. A subject which occupies so prominent a place in all our thoughts, will require a broad and frank discussion, one that will enable every European Government to expound its views and indicate the extent to which it is prepared, in the general interest, to co-operate in the work of mutual assistance and salvation.

May I, speaking in my personal capacity, say how glad I am of the existence of this Commission? It is only necessary to look at the situation as it would be without it to feel the deep-seated needs it is designed to meet, and to realise that the function it fulfils, far from bringing it into conflict with the Council of the League, makes it the necessary complement of the Council. The Council is the guardian of international obligations and the intermediary for the conciliation of political interests. It guides our policy by telling us that one avenue we are exploring is open to us and another closed. Such warnings are of the utmost value; we dare not go against them, but, if we wish to make the world a better place to live in, we must go resolutely forward along those avenues that are open to us. Since the observance of the law is assured by the Council, it is for us to ascertain the economic necessities that call for concrete solutions and constructive work. Should we fail to recognise those necessities, we should be omitting to take action to end conflicts fraught with peril. To understand and provide for those necessities is our first duty; it will be our duty at this session, during which our Commision's youthful strength will be put to the test of circumstances. I have no doubt that the Commission will pass successfully through that ordeal, provided each of us is guided, in the difficult discussions before us, by the feeling with which we were all imbued when at our first meeting in September 1929 we affirmed our faith in a policy of mutual understanding and European collaboration.

Mr. Henderson (Great Britain).—Before we proceed further with the business for which we have come together, I think it will not be inappropriate if I take this opportunity of making a few observations personal to our Chairman. A moment ago he welcomed all of us who are sitting at this table, and I am quite certain that I represent, with deep feeling, the view of every member here when I say how sincerely we welcome our Chairman this morning. During the past few days a great event has taken place in the national life of the country which he represents: I am certain that no one here would desire, even remotely, to interfere with the course of national politics, but it is almost superfluous for me to say, in a gathering of this description, that our Chairman is not only a national politician, he is a great international statesman as well. M. Briand, in my humble judgment, symbolises in his ideals, in his spirit, in years of devoted and capable service, all that is best in connection with the League of Nations, and when we say that in these days, it means all that is best for the peace of the world and the harmony of international relationships.

In view of what has taken place, it would be idle for us to pretend that the position of M. Briand remains exactly where it was. In the sphere of human affairs that is impossible. Though I have had no conversation with him and have only the reports of the Press to guide me, we cannot but expect that before very long some changes may take place which, if we had the power to decide, would not take place. But we have to anticipate, and I have risen for the purpose of expressing what I believe will be the unanimous desire of this gathering, as it would be the unanimous desire of a larger gathering like the Assembly, if that were now in session—I have risen to say that M. Briand retains to the very full all the confidence on the part of us all of us ever had in him and in his work in connection with the League and the Commission for European Union.

As my closing word, I venture to urge that it may be possible for him to maintain his association with us. Some of us have regarded him for some time as the Grand Old Man of the League, and whilst it is the fashion in most countries for some people to talk about getting rid of the Old Gang, we certainly are not prepared to support such a policy.
so far as our Chairman is concerned. We can only express the hope that he may long be with us to guide us, lead us, advise and inspire us in trying to achieve not only the economic ideals that influenced him in bringing this Commission together, but also the high political ideals that have led him to render such faithful and loyal service to the League. Whatever there may be in store for him in the future, everyone of us will retain hallowed memories of our association with him in the various branches of the League's work.

The Chairman (Translation). — You will not be surprised if I tell you that I have been deeply touched and moved by what my colleague and friend, Mr. Henderson, has just said. Indeed, I am very much embarrassed. In Mr. Henderson's remarks concerning myself, I am anxious to distinguish between the actual facts, which should be presented more modestly, and the exaggerations in which his friendship, so often put to the test, has led him to indulge.

The League of Nations, the Union of Europe, these are peace organisations that must be placed above every other consideration. It is true that in them I have had my place and played my part, but I have done nothing to set me apart from any of my colleagues. If, at one time or another, I have been found in the forefront of the League's work that is because the play of circumstance placed, for instance, the presidency of the League Council, in my hands. It is due also to the fact that in this atmosphere of international friendship, where we are all animated by one thought — namely, to safeguard the peace of the world — we should in truth be very poor citizens if, when we have a part to play, we failed to rise above ourselves. Here, in this atmosphere, I have been given the opportunity of proclaiming my personal feelings. Those feelings have not changed: they remain unaffected by the vicissitudes of public life and all the petty incidents that may occur in it.

Let me say how happy I am to meet you here again to-day. I am glad that you have so much confidence in me. Perhaps your confidence is not so great as that of my friend Mr. Henderson, but even if it be half as great, it will still be more than enough to satisfy me.

Whether here or elsewhere, whether as representative of my country, one that is deeply, loyally and wholeheartedly attached to the League's work of peace, or in my work of propaganda, in the highways and the byways, grasping the pilgrim's staff which my old hands cannot perhaps wield so vigorously as in the days of my youth, I shall ever have before me the ideal we share in common. Towards that ideal I shall ever press forward; to it I shall always devote my every effort, no matter what form it may take.


M. Motta (Switzerland), Rapporteur (Translation). — The Report by the Sub-Committee (Annex 4) has been distributed. You will notice that the report is a plain document, devoid of ornament or style. You may even consider it somewhat dull. It is limited to the fundamental questions, all useless details which might prove an impediment later having been omitted.

The guiding ideas are as follows: the report first explains that the Commission of Enquiry is an emanation of the League. This fact engenders a whole series of consequences. Speaking generally, the rules applicable to League Commissions are equally applicable to this Commission, which is an advisory body — that is to say, it takes no decisions in the strict sense of the term, and is required to submit reports either to the Council or to the Assembly of the League. That being so, it has the right to ask for the help of the technical organisations and advisory committees set up by the League.

The non-European countries Members of the League are at all times entitled to speak in our Commission, to submit suggestions or make known their desires, and likewise to offer observations. The same countries again, solely because they are Members and take part in the sessions, either of the Council or of the Assembly, exercise a sort of joint supervision with the European countries over the work of this Commission.

This Commission is further empowered to work in conjunction with the European countries non-members of the League, when it thinks this desirable. With this object, invitations to discuss certain questions here are sent to the countries concerned. These are the fundamental features to be borne in mind as to the nature and basis of the Commission of Enquiry for European Union.

The second guiding idea to be found in the Sub-Committee's report is that we were anxious to make our proposals as elastic as possible, so as not to preclude any possible future developments which might be thought desirable. We have in consequence suggested no rules of procedure, in the strict sense of the term, framed in a number of articles, no hard and fast provisions which could only be altered with difficulty. In principle, the rules governing the other League Commissions will be applicable to ours. Special rules may, however, be made for our work. We have, for instance, agreed that each European country may send a delegate and a deputy-delegate. Needless to say, delegates and their deputies may be assisted by experts. The Commission will be entitled to set up Sub-Commissions.
and, in each case, we shall have to see that the number of members, the subjects of enquiry and the duration of their appointment, are fixed as exactly as possible.

Countries will be required to give one month’s notice of any proposals they wish to place on the agenda of the Commission. In this way it will be possible for all countries to know, three weeks before we meet, what subjects will be discussed. Countries asking for specific questions to be placed on the agenda will be expected to attach to their proposals a short memorandum giving a statement of reasons and defining the issue they propose for discussion. Such explanatory and brief memoranda should, in all cases, deal more particularly with the European aspects of the questions on our agenda. It should be remembered that the Commission has no intention of competing in any way whatever with the work of the League or of any of its organisations. Each year, after the League Assembly, the Commission will be required to elect a Chairman and a Vice-Chairman. These two officers may be re-elected. The Secretary-General of the League, assisted by his subordinates, will act as Secretary of the Commission of Enquiry. In this way it will be quite clear that the Commission of Enquiry for European Union forms part of and is completely identified with the League of Nations.

The CHAIRMAN [Translation].—I feel sure you will all agree in congratulating our Rapporteur on the very lucid and concise way in which he has dealt with this difficult question.

M. Motta’s report is a cautious and reticent document. It leaves the way open to all possible developments in the future. Were I asked for my personal opinion, and I have one on this question, I should say that I am somewhat bolder. Nevertheless, I warmly approve the reasons for great caution in the first step towards the organisation of Europe, so that we may avoid meeting insurmountable obstacles. The essential thing is that the new organisation should live; its competence, its authority and its ability to develop will take shape in accordance with the circumstances with which it has to deal. If, as we go forward, we find that in the first stages our Commission lacks certain powers of action, we shall of course ask for them, and I am sure that they will be granted, first by the Commission itself and later by the League Assembly.

I propose that we adopt the report and transmit it to the next Assembly, for, as you will remember, we were instructed to acquaint the Assembly with our views as to the organisation of European Union, so that the Assembly might be in a position to form an opinion.

The report of the Organisation Sub-Committee and the Chairman’s proposal were adopted.

20. Participation of the Free City of Danzig in the Discussion on Economic Problems: Resolution proposed by the Organisation Sub-Committee.

The CHAIRMAN [Translation].—The following resolution is presented by the Organisation Sub-Committee, on the proposal of the Polish Government:

“The Commission of Enquiry for European Union, on the recommendation of the Organisation Sub-Committee which had before it, on March 23rd, 1931, a proposal by the Polish Government to this effect;

“Decides,

“In view of the resolution of the Assembly of the League of Nations dated September 17th, 1930:

“To invite, through the intermediary of the Secretariat and of the Polish Government, the Free City of Danzig to participate, so far as is permitted by its legal status and by the agreements existing between Poland and the Free City of Danzig, and in the form prescribed by those agreements, in the work undertaken regarding the study of the world economic crisis.”

The draft resolution was adopted.

SECOND MEETING (PUBLIC).
Held on Saturday, May 16th, 1931, at 10.30 a.m.

Chairman: M. Aristide Briand (France).


The CHAIRMAN [Translation].—In pursuance of the decision taken by the Commission on January 19th, 1931, the Governments of Iceland, Turkey and the Union of Soviet Socialist Republics have been invited to send representatives to our Commission for the discussion of economic questions. Yesterday, under another resolution, the same invitation was sent to the Free City of Danzig.
I understand that the representatives of these Governments and of the Free City of Danzig are now with us and will take part in our proceedings. I am sure that I am speaking on behalf of all the members in welcoming them very warmly and telling them how glad we are of their help in so grave a matter as that with which we are about to deal.

We have met here from a deep sense of the ties that unite us and in a common desire to find, at a time of difficulty, the best method of removing some of the distress that exists, and paving the way for a better future for our peoples who are passing through a period of great hardship.

I am certain that the representatives of the various countries we have invited are inspired by the same feeling as ourselves, that they will loyally and sincerely co-operate with us and that their help will contribute to our chances of success.

22. Economic Questions: The World Economic Crisis in so far as it concerns the Community of European States: General Discussion.

The CHAIRMAN [Translation]. — In view of the importance of these questions and in accordance with the request made by several of our colleagues, I propose that we should begin with a general discussion.

This proposal was adopted.

DR. CURTIUS (Germany) [Translation]. — I am very grateful to you, Mr. Chairman, for acceding to our request for a general discussion on the world depression and the European depression and to the Commission for approving your action.

The different problems included under Chapter III of the agenda are very closely related to one another. Generally speaking, they have almost all been contributory factors in bringing about this general European depression with which we are about to deal. Hence, a general discussion was indispensable. True, there are certain special problems, which can, and certainly will, be treated separately. For the moment, however, we are to have a general discussion on the economic depression, its causes and its cure.

There is no need to dwell at length on the gravity and extent of the depression. It permeates every branch of life. The distress of our peoples spurs us on to the most strenuous efforts. We are alive to the necessity for co-operation, to the greatest possible extent, in the great work of European reconstruction, over and above any national measures we may take. As a German I have special cause for saying this. In our case the crisis has fallen upon a nation which, owing to the convulsions of the war and the amputations of the peace, revolution and grave social upheavals, enormous losses of wealth and the permanent withdrawal of capital unaccompanied by any compensation, is in a weaker and more susceptible position than any other. We, therefore, are exceptionally concerned in anything that promises relief. No country at the present juncture has a greater interest in the economic recovery of Europe as a whole than Germany; situated in the centre of the continent she is traversed by every movement that takes place in Europe and for this reason is more easily affected by any disturbance. At home we are gathering our last forces together with the aim of putting our affairs on a sound basis once again so far as is possible with our own resources. At the same time, we are in the front rank of those who, in co-operation with all European countries have undertaken the common task of removing the European depression.

The causes and the symptoms of that depression are manifold. May I recall the very important discussions in the International Chamber of Commerce at Washington where, to Germany's satisfaction, the problem of international indebtedness and of the effects on world trade of the payments consequent thereon was discussed exhaustively and mentioned in the final resolutions. I may also refer to the report from the Director of the International Labour Office, who, with exceptional ability and by means of voluminous statistical material, has given us an extraordinarily penetrating and suggestive exposition of the causes of the depression.

I have therefore no need to go into those causes, one by one. If, however, we wish to consider whether and to what extent individual proposals and measures can contribute to the removal of the depression, we must be clear as to its principal causes, particularly as regards its European aspects.

Apart from the major causes that may be observed throughout the world — namely the overproduction of foodstuffs and raw materials, apart from the fall in consuming capacity, the rise in the purchasing capacity of gold and the derangement of the money and gold market, apart from the wasteful expenditure of money on non-productive economic purposes, there is a further main cause peculiar to Europe — namely, the division of Europe into a legion of small economic territories. The nature of our Commission requires, I think, that we should deal more particularly with this side of the economic depression. This is the consideration on which the German Government based its proposal that we should here examine once again the present position in Europe, due, as it is, to the existing situation in Customs matters and to the failure of the concerted action attempted so far in this field.

This nexus of problems should take the first rank in our discussions and I reserve my right to speak again, if necessary, in the general discussion and deal with any other general problems that may be brought forward. As, however, is fitting in a general discussion,
I shall confine myself to general statements. For the moment I have no intention of dealing more particularly with the Austro-German plan for a Customs Union, included under Chapter III (i) of the agenda. I wish to consider whether and to what extent the idea of Customs unions between individual countries or groups of countries forms an appropriate remedy for the intolerable economic position in Europe; in other terms, I shall confine myself to the general function which, in my view, Customs unions appear destined to exercise in Europe.

To describe the position in Europe I may quote again the oft-cited figures: 20,000 kilometres of new Customs frontiers, 13 new currencies, 9 new economic territories and Customs tariffs. This economic subdivision of Europe, or rather of Central and Eastern Europe, is the greatest peril to the future of our continent. The economic consequences are constantly becoming clear to us all.

The first is an illogical and unduly expensive production and distribution of goods with a resulting decline in the capacity to compete. The next is the fall in the power of capital and prosperity; under-consumption, unemployment, proletarisation of the middle classes and pauperisation of the working classes. All this involves the dangers of class warfare, and strengthens the conviction that the European economic system must be radically reformed if it is to be preserved. There is only one way out of this dilemma, the steady expansion of the different economic territories. Every economic territory that coincides with a political territory has a tendency — and the smaller the territory the stronger the tendency — to make itself economically self-sufficient. The aim is to cover the national needs from the national resources by encouraging agriculture and by establishing and developing industries, regardless of the natural interdependence of the different national economic systems extending over political frontiers, and regardless of the interests of neighbouring States. We are all acquainted with the means used to attain this object; the country is closed by a Customs barrier to its former foreign suppliers. New methods of indirect protectionism are constantly introduced with all manner of variations. These do more than anything else to disturb and impede international trade, and in the long run are of no benefit to the national economic system they were intended to further, because they inevitably increase the costs of production and so lessen the capacity to compete.

These defects, recognised many years since, led to the efforts made here at Geneva for a more strenuous examination of economic problems. At that time we all set out with the idea that we could grapple better with the increasingly grave problems of the depression by organising our negotiations on a more comprehensive basis. We even, to a certain extent, went so far as to regard the method of bilateral negotiations as one that was obsolete for the settlement of economic relations.

As in other countries, we in Germany placed great hopes in the new method of more general multilateral agreements. To-day we see that our hopes have not been fulfilled. Every proposal that has been made on these lines has failed; there was the proposal for the establishment of maximum percentages for duties or a percentage reduction in duties, the proposal for reductions of duties by categories of goods, and that for a Customs truce. The seathing criticism of the President of the Economic Conference, M. Colijn, at our last meeting in January, is still in all our minds.

It would of course be a mistake to conclude from these negative experiments that success cannot be achieved by fresh efforts on the lines proposed hitherto. At all events, we must not give way to despair and assume that no good can be served by continuing to examine economic problems collectively here at Geneva. We must, however, I think, infer from our experience of the past five years that different problems have to be treated by different methods. The system of multilateral negotiations is still unquestionably as important as ever it was wherever there is no pre-existent antagonism of national interests, and wherever, in particular, the only object is to fuse parallel interests and regulate them in a uniform arrangement.

To explain my meaning I need take only a few examples from the agenda of this session: the improvement of agricultural credit, the settlement of the status of foreigners, the transmission of electric power from one country to another. As against this, international trade, and above all in Customs questions, where every attempt at multilateral negotiations has always failed, the method of construction from below, by regional agreements and bilateral negotiations, is the most appropriate in the present circumstances. We must therefore have two parallel methods of work. The first, dealing directly with the regulation of the collective interests of the European States, is that of multilateral agreements. Even so, only certain of the States will, as a general rule, undertake to put immediately into force any such agreements, which are intended to be universal. We can, however, confidently leave it to the other European States to decide whether they will do so immediately or later. Owing to the identity of interests which may be presumed to exist in such cases, it may be surmised that in the course of time these other States will spontaneously follow the example given them.

In this connection I may remind you of the history of the World Telegraphic Union. At first there were two groups formed in Europe, the Austro-German Telegraphic Union of 1850 and, secondly, a West European group organised after the pattern of the former, under the leadership of France. After a few years the development of the telegraph inevitably brought about the amalgamation of the two groups in a single European
The second method, which I would venture to describe as progress from the particular to the general, or if you will allow the phrase, construction from below, must begin with bilateral agreements, or at any rate agreements confined to quite small groups of States, in order to ensure a first measure of success. Such arrangements, too, must of course contain within them from the outset the capacity for generalisation; either there must be similar agreements between other groups of States, or, as time goes on, other countries must join existing groups. Thus, construction from below will gradually contribute to the economic fusion of Europe. In any case the present multiplicity of economic territories will be superseded by a smaller number of larger economic groups.

This plan of bilateral or regional arrangements, as a cure for the existing economic troubles of Europe, inevitably leads to Customs unions. It might be held that certain intermediate stages would be feasible here as well. We have, for instance, to discuss the idea of preferential treatment for South-East European grain, a proposal which Germany has received very sympathetically. That, however, is a special case which needs to be treated separately and cannot be converted into a system. The position in South-East Europe being what it is, the economic existence of the countries in that part of the world depends on the possibility of exporting their grain. There is, in this case a quite exceptional emergency for which an exceptional remedy must be used, its exceptional character being recognised as such from the start. The general application of the idea of preference, or its conversion into a system, would destroy the most-favoured-nation system, to which, it is true, there are certain exceptions, but in the maintenance of which Germany has a very strong interest.

Apart from such exceptional cases as that of the South-East European countries, the most suitable means for remedying the economic division of Europe is that offered by Customs unions. The decisive point is that every expansion of the home market facilitates and encourages the reduction of duties. Industries which have a large home market are not compelled to demand Customs protection against foreign competition to the same extent as industries belonging to a small economic territory which offers only inadequate possibilities for organisation, the building up of capital and technical developments. This natural movement is commensurate in intensity with the size of the home market, whereas inversely, the division of Europe into small economic territories has resulted in the existing exaggerated Customs duties.

There is a further fact germane to the position in Europe — namely, that most duties were introduced as a protection against competition from other European countries. Hence, with every alliance between economic territories some of these protective duties will become superfluous. We frequently see in Europe that a country has imposed a heavy duty on a certain category of goods solely to protect itself against the competition of one individual State, and that this duty is then applied against every other country. As soon as the two former countries combine in a Customs union, this duty becomes superfluous, with ensuing benefit to third States. This advantage will not of course be felt to any appreciable degree until the idea of Customs unions becomes general.

The history of Customs unions, in the nineteenth century at any rate, points to the existence of a law of the natural expansion of markets and a liberal Customs policy. It was in all cases the free-traders who aimed at and promoted Customs unions.

The idea of regional agreements and the project of Customs unions have gained ground steadily in recent years. I may mention the endeavours of Estonia and Latvia, and of Yugoslavia and Roumania, to conclude Customs unions. The same idea is once again constantly brought forward in the countries belonging to the old Danubian monarchy. At a congress in Liège in the summer of last year economists discussed the feasibility of a Customs union between France and Belgium; and the great plan for a Customs union between Germany and France, with the possibility of further development, has been discussed for a long time, not by entirely uninfluential people but, on the contrary, by well-known leaders in public life. As Minister of Economy, I followed the fortunes of the plan with the greatest sympathy. It is obvious then that the Customs union idea is making headway in ever wider circles, as is only natural if we consider its importance for the reconstruction of Europe.

That being so I am prepared immediately to negotiate with every country, large or small, regarding the possibility of a Customs union. It is indifferent to me whether the negotiations are bilateral or extend from the outset to a group of countries in a particular region. I earnestly beg that my invitation may be given serious thought.

At the present stage of the discussion I shall confine myself to the foregoing obser-

The CHAIRMAN [Translation]. — As delegate of France, I desire to make a few observations which are necessitated by the instructions I have received and which I cannot omit without detracting from the clarity and sincerity of our discussions.

I have listened with the closest attention to Dr. Curtius' very eloquent speech, and I will admit that there was much in it that was very judiciously expressed and with which I heartily agree.

Dr. Curtius has, if I may so put it, expounded the method, which he considers we should contemplate for extricating the European nations from their present difficulties. He has recalled the many causes to which our present troubles are to be ascribed. In my view, the principal cause is this: hitherto the European peoples have held themselves too remote from one another; they have been unable to take any concerted action to regulate, or discipline, their production and trade. By taking action individually they have accordingly allowed a kind of anarchical situation to develop, which has been, and is, to my mind, one of the most serious causes of the present economic disturbance.

That, however, does not absolve us from taking concerted action; on the contrary. As I said at the beginning of this meeting, the need for concerted action is one of the most cogent reasons for our meetings. We must avoid in what we are now doing anything that might create among the peoples represented on this Commission a state of apprehension or moral unrest. The nations cannot work well unless they have a deep sense that peace is firmly established and that nothing can shake it. If they are harassed by certain problems, the ensuing apprehension immediately aggravates the causes of economic unrest.

Hence, for a body like ours, and I say so because I believe it, it is of paramount necessity to avoid anything that might be likely to disturb the nations. Whether, in order to achieve good results, we are to proceed from the general to the particular or from the particular to the general, we must, let me say it once more, avoid anything that may disturb men's minds. And here, with some regret, I touch on what I will call one of the sensitive spots in the situation; but, after all, we have often had to refer to such matters in our debates and no serious inconvenience has resulted. The essential thing is that we should deal with all problems, of whatever nature, with a firm determination to solve them, and without allowing that to mar our good relations. There are certain things, even though they be rather awkward, that we can say to one another, provided we take care to put them in such a way that they are not misinterpreted and do not cause unrest.

Customs questions are not the whole of the problem. Whether we contemplate a general union or separate unions, this Custom question is not the cause of the unrest; it is only one of the effects. When nations have recourse to measures of this kind, they do so because they are endeavouring thereby to avert economic disturbance. If, then, we wish to solve a Customs problem, we shall not be removing the cause of economic unrest by attempting, in default of a general solution, to improve production or trade.

If, however, we adopt the system recommended by Dr. Curtius, of proceeding from the particular to the general, and experiment with separate unions first, it will be because we have been forced to abandon a general agreement. Why should we abandon that attempt before we have made it? Would it not be more logical to try first a system of complete union between all the nations taking part in our meeting here to-day? True, numerous attempts have been made: the League has made the most praiseworthy efforts; there have been conferences attended by the most celebrated and experienced economists who, after long discussions marked by a conscientiousness we have all admired, have put before us here all the information at their disposal and proposed certain remedies. One of those men, and not the least important of them, you have already heard. M. Colijn has told us of his disappointment, I may say, his bitter regret at the inability of the Governments to ratify work that had been approved by the League and submitted to them for their favourable consideration. So be it! There have been other instances of concerted action that have likewise failed. I do not think that this is a reason for giving up the attempt. I believe that the original system was perhaps somewhat too ambitious, too comprehensive, too empirical. But there are other methods.

My country has proposed, in a memorandum (Annex 5), a number of measures which in its view would provide a cure. You will be asked to discuss and examine that memorandum. Nevertheless, when among the unions put forward as a basis, we are asked to consider the practicability of the method of proceeding from the particular to the general, it will, I think, be advantageous that we should be quite certain what it means. In this way our minds will be prepared beforehand and we can obviate certain apprehensions and causes of distrust. In this case, however, it is necessary to avoid attempting anything that is not allowed; for the outcome can only be trouble. Dr. Curtius referred, briefly, I will admit, to a union of the type which he contemplates as a basis. My country deeply regrets that it cannot acquiesce in such an attempt. It has protested very forcibly against any such attempt and it maintains its opposition. We shall revert to that point later. I should, however, have been lacking in loyalty had I passed over in silence the example that has been given as typical without stating, in my capacity as French delegate, that we shall shortly be called on to debate and decide whether that attempt is lawful or forbidden.

My Government's more detailed observations on the general position will be given by the French Secretary of State for National Economy, who will explain the French plan to you.
For the moment I wish to say to Dr. Curtius that as an argument for the adoption of his method he referred to the proposal for a similar union made by France and Belgium in the past. True, that proposal was made; but what protests it aroused; what resistance it occasioned; what alarms and threats resounded throughout Europe. Let us remember that when faced with all that unrest, due to the many political objections raised against that attempt, my country did not persist. It realised that there was in the proposal something that might be advantageous to the two countries concerned but might be so harmful to the other nations that it had no right to persevere in purely selfish aims. We therefore went no further. This example is therefore an interesting one and gives food for thought. What we must avoid is anything that might trouble the nations. Our two countries could have done anything they wanted within the narrow limits of their Customs frontiers but they would immediately have been made to feel all the disadvantages of such an act.

We will refer to this matter again in the next few days. I merely wanted to say now that on this point I cannot, notwithstanding my great desire, agree with my colleague, the German representative.

I apologise for having spoken in this way. I have done so purely from a sense of loyalty. I can accept any system, but it would be better not to attempt any which are not permitted by the treaties or by international conventions.

Dr. CURTIUS (Germany) [Translation].—I should like to make a few short observations in reply to the Chairman's remarks.

Our Chairman referred to Customs unions, and distinguished between those which are lawful and those which, owing to existing treaties, are not.

As our discussion is at present a general one, I confined myself to the general function of Customs unions, and, if I said a word or two about the Austro-German plan, I only did so in order to state that I should not deal with that question. I accordingly abstained from examining, apart from their economic aspect, the special considerations which might be advanced.

Moreover, we shall, I think, have an opportunity of examining this question in the Council, on Monday. We shall accordingly discuss the question of the legality of the Austro-German Customs Union in the Council. I may add that, in my opinion, we have kept entirely within the limits of the treaties, but I consider that this is not the place to discuss that issue and that we should restrict ourselves to the general economic aspects of the Customs union problem.

May I refer to one point in order to remove a slight misunderstanding? In speaking of the Franco-Belgian negotiations, I was referring to those initiated during the Summer of 1930 by certain economic circles in the two countries. I am quite conversant with the position in 1840 and 1842 and with the exchange of notes which took place in those years. We shall perhaps have occasion to revert to it in the course of our debate. For the moment, however, I merely wish to say that this example cannot legitimately be quoted, since the position in 1840 was a special one by reason of Belgium's being a neutral country.

The discussion was adjourned to the next meeting.

THIRD MEETING (PUBLIC).

Held on Saturday, May 16th, 1931, at 4 p.m.

Chairman: M. Aristide Briand (France).

23. Economic Questions: The World Economic Crisis in so far as it concerns the Community of European States: General Discussion (continuation).

M. GRANDI (Italy) [Translation].—I have noted with great interest the statements of the previous speakers, as also all that has been said and proposed here and elsewhere in connection with the European and world economic crisis.

The present crisis is a result of the war, and post-war events. Though its visible symptoms have become manifest suddenly, the precursory signs have been evident for a long time. The welfare of a given country and the satisfactory periods through which the various countries have passed since 1919 — just as they have also passed through periods of economic and financial adversity — have given rise from time to time to a facile optimism; but the feeling that the economy of Europe, too, permeated by a restrictive sense of national egoism, was making its way down a blind alley has long been general. For a long time now, even, it may be said, since the end of hostilities, people have been seeking for means to forestall this danger.
In accordance with what have now become the usual methods, these anxieties led to conferences and recommendations. There was the Brussels Financial Conference in 1920, the Transit Conference at Barcelona in 1921, the Economic Conference of Genoa in 1922 and the Economic Conference at Geneva in 1927, and so on up to the meeting of the Commission of Enquiry in January 1931 and the last Wheat Conference organised in April by the Rome International Institute of Agriculture. I do not know whether all that could and should have been said in these Conferences was said, or said as it should have been said. The truth, the whole truth, was sometimes neglected, while attention was paid to the superficial symptoms rather than to the radical causes of the evil.

The result was that, while delegates were talking and discussing, the situation grew worse.

The time has come to pass from words to deeds, to recognise frankly the errors which have been committed and to seek a remedy. There is one principle which should be retained out of all those which have been expounded: international solidarity and co-operation. The crisis is worldwide and for us mainly European. It is not a case of any particular country, but the crisis in each country has to be examined in its relation to the conditions in other countries. Countries cannot be regarded separately— to put forward the interests of one as opposed to those of another would not be to the advantage of the first country; it would, indeed, be detrimental to all countries.

Another danger which has clearly been demonstrated by the last session, of the Commission of Enquiry and of which traces, though slight, can be found in previous discussions, is that the method hitherto followed for the application of the recommendations made has not been the best and should be reconsidered. Too often, the differences between the various national economic organisations have been disregarded and the needs of the various countries have been discussed from the theoretical rather than from the practical standpoint.

In the present situation, particularly with regard to this necessity for practical action, several proposals have been submitted which may be summarised as follows: (1) Granting of credits, particularly to agriculture; (2) International industrial and agricultural agreements; (3) Adoption of preferential treatment; (4) Customs unions.

There can be no doubt that the granting of credits on better terms than those obtainable at present may be helpful and that there is place for an international credit institution beside by side with the existing credit organisations.

Our Commission, in agreement with the Council of the League, has already made considerable progress, thanks to the work of the technical organisations, in preparing a scheme for the creation of an international land credit institution. The advances proposed are long-term credits. The Rome International Agricultural Institute has also undertaken to study the question of the establishment of an international institution for short-term credits.

We do not believe that these initiatives will lead to very far-reaching results, and are aware of the difficulties that may be encountered in connection with them. The Italian Government is nevertheless prepared—now as previously—carefully to consider these schemes.

The essential point is to take some useful action and take it as soon as possible.

The Italian opinion with regard to international industrial and agricultural agreements was explained at the Economic Conference of 1927 when this question was discussed in detail. Italy does not entirely exclude such agreements, but considers that they are only desirable if they succeed in harmonising national with international requirements and if the possibilities of production of less industrialised countries can be co-ordinated—that is to say, if no hindrances or restrictions are created to the detriment of these countries and to the advantage of more industrialised countries. It should be remembered that certain countries have to rely on industry to satisfy the needs caused by an increase in population. Let us remember also that experience proves—in spite of several statements to the contrary—that these agreements have not succeeded in reducing protectionism. Moreover, though they may be applied to certain categories of products, they entirely fail to reach the great mass of production divided as it is into an infinite number of undertakings.

Another important point in our discussions, I think perhaps even the most important, is that referring to preferential treatment. Only quite recently—that is to say, since other schemes have failed, particularly those for lowering tariffs and establishing a Customs truce—the problem of preferential treatment has been to the forefront in our discussions.

The comparative failure of the proposal to lower Customs tariffs and institute a Customs truce is due, if I may say so without it being paradoxical, not to a lack but to a surfeit of accessions. These ideas were so excellent and found such favour with the public that consent could hardly be refused; but words were not followed by acts. Nothing, or at any rate very little, was done in the way of lowering tariffs. On the contrary, existing duties were in many cases increased. The situation, instead of improving, grew worse.

The adoption of a preferential system in favour of the Danube States for the import of cereals was discussed at Economic Conferences last year, by the Commission of Enquiry last January, by the Committee for the Disposal of Stocks of Cereals and even by the Wheat Conference at Rome.

The difficulty which had to be overcome was the fear that the adoption of a system of this kind might disturb the commercial relations with other States which also export cereals. It was said that the quantities involved are relatively small. Account must, however,
be taken of the possibility of unfortunate repercussions. Again it was found impossible to leave the realm of theory and get down to facts.

There are also other general considerations which cannot be completely disregarded. The preferential system, however attractive it may appear, cannot, in principle at least, be regarded as an economically healthy method. This system cannot be applied in practice without creating at the same time certain hindrances to international trade, whereas, on the contrary, an improvement of the present situation can only be brought about by encouraging and developing international trade.

Moreover, if the system became general, there would be no means of preventing the commercial relations between various countries being entirely upset as a result of preferences. Certain cereal-importing countries only import comparatively small quantities. Others import large quantities both from a relative and an absolute standpoint. Some countries are so situated that they need hardly worry, if at all, about the effects which preferential treatment may have on third States. Finally, some countries are bound to feel such anxiety. Preferential treatment therefore may, according to circumstances, produce different results; so that it does not constitute a uniform solution. The Rome Conference brought out what may perhaps be a useful point in this connection. The problem was treated for the first time with the participation of representatives from overseas countries and the Conference recognised that the best way to achieve practical results was to resort to the diplomatic channel by which each case could be studied separately and all the factors of the situation weighed. In truth I think this is the method which is most likely to succeed.

Finally, it was stated that the European crisis might be remedied by instituting a system of wider markets by means of Customs unions. It cannot be denied that the limitation of the various national markets constitutes one of the causes of the difficulties which now set Europe. It is one cause, but not the true one. For instance, the United States of North America which constitute in themselves a vast market, have not been able to escape the effects of the general crisis.

In Europe it must not be forgotten that either the fusion of two or more national economic systems leaves intact the industrial and agricultural productive machinery of each, in which case the fundamental causes of the phenomena of over production which we are seeking to remedy still exist; or else the fusion favours the national economy of one country to the detriment of that of another, in which case it may result in re-establishing equilibrium between production and consumption by sacrificing the weaker organisation on the altar of the stronger.

In order to avoid these harmful consequences temporary Customs arrangements have been suggested. But these temporary solutions raise once more the whole problem of relations with other States and the problem of the most-favoured-nation clause.

It should also be remembered that in schemes of this kind there exist not only an economic element, but also a political element, and it is not always easy, and sometimes even impossible, to draw a distinction between the two. There are legal elements which originate, or may originate, from the existence of treaties, protocols, conventions, etc., which must also be taken into account. Nor can there be any doubt that reciprocal confidence and general tranquillity are indispensable factors in the improvement of the European economic situation.

I return to the question of preferential treatment. When we speak of preferential treatment, we mean Customs treatment, but Customs treatment does not by any means embrace the whole problem. Trade may also be hindered or facilitated by other factors: conditions of transport and transit, special facilities in banking operations, etc. These various factors considered separately may not seem to be very important, but as a whole they constitute a factor of the highest importance, so that they will eventually play a far greater rôle in practice than preferential treatment. Here at last we come down to realities.

In certain countries, particularly in that part of Europe to which we are referring, other reasons may be advanced. Some countries of Central Eastern Europe — or certain regions of these countries — for a long period constituted one single economic unit; they had their common credit organisations, transport, trade, and business traditions. Industrial and agricultural products were distributed according to the free play of economic forces. Events have profoundly altered this system of interests. In this part of Europe, as also in others, agricultural and industrial production and consumption are, for economic and historical reasons, complementary and might balance up normally, whereas they are not allowed to do so.

Obviously the solution we are seeking for the general crisis and also for its most urgent aspects must correspond with these facts. It must even in certain cases be based on them, naturally embodying them in a work of international solidarity.

The problem of the European crisis is not contained in one formula or even in a number of forms, however fascinating and all-embracing these may seem to be. It certainly cannot be solved by adopting any of these formulae. There are no one or two uniform
recommendation made by the Rome Wheat Conference in connection with preferential
concluding separate agreements with other countries: nor should they be based on any
these agreements should not be of such a nature as to prevent the contracting States from
also, and perhaps to even a greater extent, in the form of direct agreements. Naturally,
he cooperation required must be made, not only in the form of international protocols, but
of trade between the contracting countries and should be to the immediate and
undoubtedly advantage of each State. These agreements must respect the present system
of trade and the autonomy of each State, and must, moreover, respect the rights of third
States so that they may find their natural complement in other agreements concluded by
the contracting States with third States.

This is the method which Italy has long been suggesting at the various international
meetings. It should be remembered that by the natural interplay of interest direct
agreements stretching and crossing in all directions will finally produce those general
results which all the world desires.

In this matter we are not dealing with abstract assertions and indefinite aspirations;
we are dealing with practical considerations which have formed the starting-point of my
country’s policy in connection with recent negotiations and agreements. The Italian
delегation reserves the right, in the course of our work, to revert to these arguments.

Among the various schemes examined by Economic Conferences there remained,
after the setback suffered by the attempt to lower Customs tariffs and institute a Customs
truce, the Commercial Convention, proposed also by the Italian delegation and signed
at Geneva on March 24th, 1930. It contains positive elements which render its coming
into force possible. Nevertheless, and even in spite of the fact that this draft Convention
was generally approved, it has not yet been applied.

The Italian Government hopes that what has hitherto been impossible will become
possible in the near future. It has proposed that the most appropriate means should be
sought for putting the Commercial Convention into force. Such an achievement would
constitute a useful preparation for the application and extension of the method of direct
agreements, a method which Italy has always supported and has herself begun to apply.

M. FRANÇOIS-PONCET (France) [Translation]. — By now no one doubts that in the
economic sphere a certain disappointment, not to say anxiety, has spread throughout
the whole world. The crisis from which all the nations have been suffering for nearly two
years still exists and the end is not in sight. Unemployment is not decreasing, the price
of raw materials is still disastrous, while stocks and shares express the general financial
depression. Moreover, the efforts which the League has hitherto made not invariably
secured all the results desired.

Most we, however, give way to despair and wait for the natural course of events to
restore, by brutal selection and at the cost of enormous suffering, the world’s shaken
equilibrium? The French Government does not think so. It thinks, on the contrary,
that we ought to redouble our efforts, profit by experience (even negative experience)
in order to correct our methods, and endeavour to open out new pathways by addressing
an earnest appeal to the intelligence, common sense, organising faculties and spirit of
co-operation of the countries here represented.

The French Government therefore has endeavoured to combine in a sort of co-ordinated
scheme a body of suggestions which, in my Government’s view, might, even if it cannot
entirely solve the present problems — for who can hope to do that? — at least provide
a reliable basis for work and discussion leading to a series of effective resolutions (Annex 5).

The starting-point is provided by the work being done at the request of the Commission
of Enquiry on European Union, the object of which is to remedy the difficulties experienced
by the agricultural population of the countries of Central and Eastern Europe.

This Commission took four decisions last January. It decided that a Conference
should be convened to study the disposal of existing stocks of cereals, that another
Conference should study the disposal of future harvest surpluses; it decided that the world
aspect of the cereal crisis should be left to the Rome Conference; finally, it asked that
practical plans for international agricultural credits should be submitted at the present
session. All this work has been accomplished; I shall have to submit a more complete
statement on this subject in the course of our meetings. For the present, I must note that
the disposal of existing stocks has been facilitated and accelerated; that, in
order to secure the disposal of these stocks and future surpluses, an agreement between
all the European and overseas exporting countries is being prepared and will have to be
examined in London next Monday, its form being much the same as the scheme for dealing
with the sugar problem. Finally, a practical plan, the creation of an international company
for agricultural mortgage credits complete in every detail is ready for your consideration.
The organisation which it is proposed to create, which, if this Commission approves, will
come into existence and whose aim it will be to improve the cost prices of the agricultural
products of Central and Eastern Europe and thus restore the purchasing power of the
populations of these countries, can be put into effect this autumn.
Our efforts, therefore, have been in vain. On the contrary, in three months the Commission of Enquiry on European Union, having taken up for the first time a concrete and definite problem, has been able to produce practical results. We may there fore argue that the method followed has not been altogether bad and perhaps furnishes an example of international co-operation which might serve as a model.

In any case, the French Government thinks that, without waiting to register the effect of these measures, we should now complete them by instituting, according to the recommendation so often expressed by the authorities concerned, a system of European preference in favour of European wheat.

Would such a preferential system mean that France is abandoning the most-favoured-nation clause which she has hitherto so loyally respected? Not at all; for I would remind you of the maxim that the exception proves the rule. Preference, as we conceive it, is an exceptional measure which can be explained and is justified by abnormal and exceptional circumstances. Moreover, as we propose it, this preference would apply to certain definite quotas which may be reduced from time to time according as the circumstances — the price of wheat and the value of the stocks themselves — changed.

Thus defined, I think that preference need not cause any anxiety to those countries which have hitherto combated it. The overseas countries in particular, as M. Grandi pointed out, seem to have realised at Rome that this preference would be granted only in respect of quantities which were, for them, practically negligible. If we take as a basis the average for the last three years, we may estimate at 210 million quintals the surplus of wheat and flour available for export from the nine principal producing countries of the world. Of this total the countries of Central and Eastern Europe only represent 19 million quintals or about 4.8 per cent. Moreover, this wheat does not compete with Canadian, Australian, Argentinian or American wheat, because it is of a different quality, is not bought by the same persons and because it is desired not so much to seek new outlets as to obtain better prices. If, therefore, the granting of a preference involves some sacrifice, that sacrifice will not have to be borne by other exporting countries or by countries which do not ordinarily purchase wheat from the countries in question.

The adoption of such a preferential system does not mean that discrimination would be introduced into the Customs tariffs of the purchasing countries as we know them to-day. On its arrival in protected territories, wheat, whatever its quality and whatever its origin is subject to the existing duties, and thus the current prices in the countries in question are not in any way affected; but a certain proportion of the duties paid, calculated in such a way as to ensure as far as possible for the producers an adequate remuneration, is repaid to the producers. Countries, therefore, which grant this restitution of money do not place any burden on their own taxpayers or regular budget receipts: they simply forgo a certain, and not very great profit, derived from a category of receipts which has never been regarded as a regular means of procuring income.

In practice, and by way of suggestion — the door naturally remaining as wide open as possible for all suggestions, modifications, and criticisms you may wish to make — the system which the French Government proposes might be defined as follows:

1. The countries of Central and Eastern Europe will set up a joint wheat disposal office;
2. A Commission, including representatives of purchasing and selling countries, will periodically fix the quotas to which Customs preference is to be applied;
3. The same Commission, but consisting only of representatives of purchasing countries, will allocate these quotas and fix the amount of the preference;
4. Preference will take the form of the repayment of certain sums to the central office of the selling countries;
5. The central office will allocate these sums between the various organs of the selling countries who will in turn make payments to the farmers.

Quotas and preferences can always be revised when necessary.

I do not think it will be difficult to put this programme into practice, nor would it meet with any insuperable difficulties. There is, however, one distinct difficulty to which I must refer. It may be asked whether the purchasing countries which grant in respect of a definite quota the benefit of preference to the selling countries will grant it, so to speak, for nothing or will receive something in exchange. I will not dwell on the arguments for and against. I will merely say that the French Government does not wish, for the present, to make a choice between the two possibilities. It feels that the main requirement is to ensure as far as possible for the producers an adequate remuneration, is repaid to the producers. Countries, therefore, which grant this restitution of money do not place any burden on their own taxpayers or regular budget receipts: they simply forgo a certain, and not very great profit, derived from a category of receipts which has never been regarded as a regular means of procuring income.

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The French Government is convinced that this system, coupled with the prompt establishment of the international institution for agricultural mortgage credits, the adoption of the measures suggested by the Paris and Rome Conferences, and the concerted action of exporters to regulate the disposal of stocks, will bring about an immediate and steadily increasing improvement in the present crisis in the agricultural States of Central and Eastern Europe — the first concrete and definite problem with which the Commission of Enquiry has had to deal.

Moreover, in endeavouring to improve the situation of the inhabitants of these countries, the industrial States of the West will not be making an empty sacrifice, since the restoration of the purchasing power of farmers in Central and Eastern Europe will lead to an increase in their needs for manufactured products, and they will begin once more to purchase as much as, or more than, they purchased in Western countries a year or two ago, which would be an advantage, seeing that since the crisis they have only been buying half as much as formerly.

This is the part of our plan which concerns the agricultural problem of the countries of Central and Eastern Europe.

I now come to the second chapter which refers to the industrial aspect of the crisis. Agricultural countries are not the only ones which are suffering from the crisis; industrial countries are equally affected. This aspect of the problem has therefore also to be considered. We have the work which the League of Nations has carried out since 1927. In that year the League of Nations endeavoured to provide Europe with a new economic charter. The League seems to have thought from the outset that too high Customs barriers, hindering the disposal and circulation of goods, were the cause of the economic malaise in Europe and in the world; it therefore endeavoured to persuade the persons concerned to lower their tariffs simultaneously and on uniform lines.

I believe, and frankly say, that this aim was rather ambitious, because the situation in each country is very complex. The various items of the Customs tariffs are very delicately discriminatory. A uniform reduction — even by a small percentage — in all Customs tariffs without distinction might be borne very easily by some countries and constitute a mortal blow for the products of a neighbouring country, to which the latter could hardly consent. The situation in the various countries is very dissimilar and we must not forget, as over-acid critics do too often, that after the Economic Committee of the League of Nations began work something occurred which in the memory of man has never occurred on so vast and serious a scale — I refer to the economic crisis. The task of the League of Nations, which at any time would have been difficult, was still further complicated by a worldwide occurrence which happened at a moment when nobody was expecting it. After long and fruitless discussions it was therefore found necessary to abandon the method suggested.

The proposal was then made to revert to the idea of a stabilisation of duties and to secure at least what has been termed a Customs truce. The success achieved in that direction was not much greater. Nor did the efforts of the Economic Conference to stabilise the tariff regime deriving from trade conventions and treaties lead to the desired result. Nevertheless, I agree with the Italian delegate that ratifications have been received after the time-limit laid down in the Convention of March 24th, 1930. We might therefore ask whether it would not be desirable to reconsider the problem and see how the Convention could be put into force. If the Commission of Enquiry decides to do so, France would willingly co-operate with other countries.

In truth, as M. Briand said this morning, Customs duties are probably an effect rather than a cause. The cause, or one of the causes of the crisis — for they are legion — is above all, we think, the disturbance of the equilibrium between the production of raw materials and the production of manufactured articles, a disturbance caused in turn by over-rapid technical progress and an over-accentuated rhythm of rationalisation during the last few years, and the lack of harmony between the main centres and elements of production, each developing on its own lines without considering the others. Another cause is the defective allocation of markets owing to the use of machinery which is not really adapted to secure the best distribution of products.

If this is so, we must agree that the remedy for the crisis is to correct the operation of the machinery of production and distribution, to impose greater discipline in the matter of production and sale. That is the method and type of international intervention which has been adopted or suggested for wheat; the well-known method of agreements and cartels.

It has just, for instance, been proved that this method of agreements and cartels is and indeed — contrary to the hitherto prevailing opinion — applicable to agricultural products. Hitherto it was thought to be applicable solely in the case of industrial products. The contrary has now been proved; it would not therefore seem to be the time to renounce this system in the case of industrial products. At present, the production of raw materials and the industry of transforming and distributing goods are grouped into numerous cartels. I will not give a list of all those cartels which are concerned with raw materials, the transport industry and manufactured products. I prefer to come immediately to the question: Has it been proved that agreements as they exist or as they existed before the war and have been developed after the war are of any use?
 Doubtless they have not prevented the crisis from occurring; but, if they had been more numerous and of longer standing and if they had been concluded for a longer period, perhaps the economic crisis would have been avoided. In any case, wherever agreements have existed and wherever their sphere of activity has been extended, it has been noted that the effects of the crisis have not been so acute and that the market has been able to maintain some semblance of order instead of entirely collapsing. Indeed, on looking at the economic world it seems to me that industrial agreements are the only element of order and organisation which is holding its own.

The French Government believes that the method best adapted to the circumstances and based on experience, is the method of agreements. A study of the past confirms the lessons of the present. The obstacles encountered by the Leagno in its economic action, an analysis of the efforts which have led to the formation of the sugar cartel and those which shortly, I hope, will lead to the establishment of a wheat agreement, all lead to the same conclusions. This is the best way to attack the problem. This is the way which will lead to satisfactory results. The Universal Telegraph Union was quoted this morning as an example. I willingly accept that example, but for my own purpose, because I think it is just an example of a definite branch of activity for which a specialised cartel was formed and which gives complete and general satisfaction.

The task to be accomplished is still a heavy one. Existing agreements will have to be strengthened, their field of action will have to be extended and new agreements will have to be concluded. The agreement concluded for twenty years between French, German and Swiss manufacturers of large electric equipment must be extended to other countries. The negotiations begun between French, British, Belgian and German producers for the organisation of the coal market must be resumed, encouraged and completed. Cartels will have to be formed for products which up to the present have been left untouched by international action, but which in world economy occupy a position of prime importance — for instance, chemical products other than dye-stuffs (for which cartels already exist), in particular, artificial fertilisers.

Partial agreements have recently been concluded in the automobile industry; it should therefore be possible to secure an allocation of the European market between the different motor-car manufacturing countries.

In the textile industry the agreement concerning silk is still in a very elementary state, and might be considerably improved. Representatives of the wool industry meet regularly in conference; this provides a basis for an understanding which should lead to the formation in the very near future of a true cartel. I must also refer to the case of the wood industry, where the fact that industry is obviously in a state of complete disorganisation, but also because the felling of trees must be reduced by joint action; two reasons for which an international agreement would be advantageous and which indeed will themselves facilitate the conclusion of that agreement.

The French Government does not, however, merely propose the consolidation and general extension of agreements, such as have hitherto been concluded. It feels that this economic policy should henceforth be pursued in such a way as to improve the whole character of these undertakings in the interest of all concerned.

Up to the present producers negotiating or concluding international agreements have always assumed that Customs duties cannot be changed, that they are an invariable factor. Agreements have been prepared on the basis of existing Customs duties: it was assumed that those duties could be stabilised but could not exercise any great influence on the tariff policy of the participating States.

To-day the French Government considers that, if agreements were multiplied and extended, they might have direct influence on Customs tariffs and even alter the bearing of those tariffs. Whenever an agreement is sufficiently powerful, both quotas and prices are regulated. The national market is reserved for the producers of each acceding country, and the quotas to be admitted from abroad, at prices which are discussed and agreed upon, are fixed at periodical meetings. This means that the Customs duty levied on the goods controlled by a cartel is no longer of the same importance as under the old system. Though it may be defensible to impose a duty for goods which are not subject to a quota system, Customs duties become necessary, for purposes of protection, in the case of goods subject to a quota. It is useless, because the necessary protection of the national industry is already assured.

Consequently, we can contemplate a partial lowering of Customs barriers between the various countries, under the control and with the support of the States, without in any way affecting the interests of producers and consumers and without disturbing in the least, the economic system of each country. Such a system would, moreover, amount to a kind of bounty to all who voluntarily accepted its discipline, while the producers in countries which were not disposed to take part in international agreements would not be allowed to benefit from Customs exemptions. It would render inoperative, at any rate so far as the goods controlled by cartels are concerned, the artificial means — direct or indirect bounties on export — which are so often used to disturb the market and which encourage unfair competitors to the detriment of others.

The French Government adds that, though it recommends this method and asks that it should be examined, it would not reject any other method which might lead to the same result, and in particular it is prepared to continue the negotiations already in progress with certain countries with a view to revising existing tariffs.
Obviously there are objections to forming cartels. I have raised most of them myself. They would carry more weight if this were a new method which had not been studied on several occasions. It has been said that the League of Nations was anxious to support that method but was obliged to abandon its efforts, but I say that its enquiries have not been unproductive. They have brought out the importance of the idea. They have stimulated action. Without the League's efforts the sugar agreement, which is so valuable as an example, would not perhaps have been concluded. The coal cartel, which yesterday was impossible, may be constituted to-morrow. It is not sufficient for a programme to be good in itself for it to receive breath and life. The circumstances and the hour must also be favourable.

It will be said, indeed it has been said, that agreements do not lead to immediate results, that interminable and careful preliminary conversations are necessary, and that as the agreements concluded may be revised at fairly short intervals, the method is precarious and does not give lasting security. It is true that it has been difficult up to the present to conclude agreements and that those which have been concluded are somewhat fragile. I think, however, that it will be less difficult to negotiate them and they will be more stable when the Governments and the League of Nations deal with them, take them under their ownegis, and stimulate and help private efforts, without, of course, actually replacing it.

Finally, and above all, it is obvious that the Customs unions to which reference was made this morning will require neither less time nor less trouble for their preparation. To decide in principle to form a Customs union is very quickly done; to bring it into being takes much longer and is much more difficult. The Governments which desire to make a Customs union have to revise, article by article, the whole of the commercial convention which has hitherto governed their trade. Most of those articles, or at any rate a large number, will raise discussion and even opposition. The Governments would have then to establish intermediate tariffs for the transition period, in order to save a number of industries from an overwhelming collapse. To accomplish all this requires months, possibly years, and during that time perhaps a great many international agreements may be concluded.

When we get to the bottom of the matter, the method suggested by the French Government is not in substance so very different from the Customs unions, when one passes from theory to practice, and to the actual creation of those unions. In the one case, as in the other, it is necessary to examine one article, one material, and to regulate its production and sale by agreement. The method recommended by the French Government is neither less rapid nor less flexible than the method of Customs unions. It merely covers a great number of participating States. In any case, it has undoubted advantages over the method of Customs unions.

The French programme pays no attention to frontiers, and consequently involves no political danger. It will not create suspicions of any kind. According to the supporters of the method of Customs unions, the latter constitute only the first stone in a vast mosaic which will soon cover the whole of Europe. All that is necessary is to encourage other European Powers to form similar unions, and an agreement between these various regional unions will finally constitute the European union.

The French Government does not consider that to divide Europe into several economic groups would be a good way of ensuring peace. Economics and politics cannot so easily be separated from one another and treated apart. Economic policy is closely connected with politics, particularly when it is confined within the limits of certain political frontiers. It has a political aspect. It is open to suspicions of a political nature when it concerns an area which is one of the most sensitive points in politics. It is little use to affirm that the proposed unions are exclusively economic, and that it is not intended that they shall, now or later, prepare the way for, or precede, a political union.

I do not say that such a statement would not be genuine, but it suffices that there should be a long-standing tendency in favour of political union between two States for the mere announcement of a proposed Customs union between them to give rise to the suspicion that they are preparing to combine, and for a serious political agitation to result. To the existing evils is immediately added an even greater evil, which makes the others more complicated instead of contributing to their solution.

Moreover, writers who have studied the problem of customs unions — there are many, and although I have read a certain number, I do not claim to have read them all — recognise that the Customs union does not usually do well unless there is also political union. I will quote a reference from M. Schiller's book (page 217): "Without a close political union and without common organisations, such an economic combination of several States is obviously impossible."

Reference was made this morning to past history. Alas! I do not find the history of the Zollvereins particularly reassuring nor does it invalidate the French views. This morning when I was listening to several of the statements which were made, I thought of Friedrich Naumann's Welthate theory, in which he foresees final harmony, but agrees that it will only be attained by struggles, conflicts and terrible battles.
In these circumstances, the Customs union would not have the results which its supporters expect of it. It would bring about something which they do not want: the constitution of other groups, or at any rate, of another economic group. This group would thereby, and as a result of the circumstances and state of mind which it would engender, be antagonistic and retaliatory in character. The two groups would be animated neither by a desire of mutual help nor by a desire to co-operate, but, alas, rather by an ineluctable feeling of rivalry. This rivalry would soon turn into economic conflict: in its turn, would soon shake the foundations of the League and cause inextricable political complications. To support such a conception is to try to make a covenant with Providence: the risk is too great.

The French programme would not lead to the creation of economic units, determined to outtrival one another. It would not leave the League of Nations on one side; it would work within the League, and with its help. Finally, it would not deliberately reject the work done in the past. It would learn from past experience. It would endeavour to crown the work of ten years of unceasing effort.

For all these reasons the French Government believes it is right in thinking that its method is preferable to the method of Customs unions. It proposes, since one single operation for the purpose of lowering Customs duties suddenly and simultaneously could not succeed, to organise the economic life of the nations, material by material, product by product, with an accelerated rhythm, by means of agreements and cartels, apart from political frontiers. It firmly believes that in this way, and in no other will it be possible without trouble or disturbance, gradually to eliminate Customs barriers.

It suggests that a conference similar to those recently held in Paris should be called to study the problem of wheat from a realistic point of view, or that a committee of experts should be appointed similar to the delegation of the Financial Committee of the League of Nations which has been instructed to draw up a practical plan for agricultural mortgage credit.

It suggests that this committee or conference should be asked to determine what industrial agreements are most important and can most easily be strengthened, extended or created, and what Customs arrangements between the States should complete the agreements.

After this, the French Government suggests that, with the help of the experts and under the aegis of the States, the circles concerned shall be asked to collaborate and conclude agreements on the basis of the plan drawn up, so that more order may be introduced into production and trade, and that peace may have a more solid foundation.

I now reach the third part, the third chapter, of the programme, which is devoted to the special position of Austria.

We think that the programme for the general economic reorganisation of Europe may well be completed by exceptional measures for giving immediate and effective help to Austria. Austria, which is like a turning-plate in the centre of Europe, is compelled to live chiefly by her foreign trade with European States. In normal years, she sends 49 per cent of her exports to the industrial countries of Europe—that is to say, 6, 10 and 12 per cent more than Belgium, France and Germany respectively. In addition, she sends 28 per cent of her exports to the agricultural countries of Europe, of which she is one of the principal providers. She therefore suffers more than any other country from the falling off in trade between the European States which owing to the economic crisis, have been forced back upon themselves. It is to be feared that this fact has increased her difficulties even further.

The European community cannot be indifferent to this state of affairs, any more than the Austrian Government. It is the imperative duty of that Government to remedy the evil so far as lies in its power, but it is also the duty of the States to which Austria has given a solemn undertaking not to give up her independence without the approval of the Council of the League of Nations and which are compelled to see that nothing compromises that independence, to assist her to regain her economic prosperity, at any rate sufficiently to ensure her separate existence.

With this feeling of moral responsibility, France considers that the economic difficulties of Austria should be given special consideration in the organisation of Europe. Already, with the establishment of new frontiers, there has been an opportunity to facilitate Austrian international trade, and preferential agreements have been contemplated with the countries of the former monarchy.

The French Government suggests that under the auspices of the League of Nations the European States, Austria's principal clients, should together consider the situation of this country and endeavour with Austria to find solutions which, while compatible with their own interests at the same time likely to improve Austria's trade balance by expanding her markets. The facilities which the States concerned will be able to give will vary. One country might accord tariff reductions on certain articles, and another advantages in connection with transport, and so on. It would also be advisable to consider whether Austria should give compensation for these concessions. In the French Government's opinion such compensation should not be of a preferential character.

The French Government is sure that Austria's difficulties are only temporary, that they correspond with the period during which that country's economic system is being adapted, and that it must find, in the near future, new facilities for its economic expansion,
by making use of its natural riches, particularly its hydraulic power. The French Government therefore considers that this special regime should be provisional.

Derogation from the most-favoured-nation clause in respect of Austria’s products should consequently be strictly limited in time and object, and the exceptional character of the derogation should ensure its favourable reception by third States.

The French Government believes that this regime should be established by means of negotiations between the various States concerned and Austria or, if it were established by means of bilateral arrangements, that the general character of these arrangements should be recognised.

It should not be forgotten, in applying the system of agricultural preference which we recommend, that Austria, which is one of the principal buyers of cereals, would herself have to make an effort and a considerable financial sacrifice. It is only fair that side by side with the help given to the agricultural countries of Eastern Europe, Austria, mainly an industrial country, should also receive help.

Such is the third chapter, which deals with measures suggested by the French Government as an appropriate means of helping Austria.

I come to the last chapter of this memorandum — the chapter relating to credits. The programme which I have just outlined would not be complete if it did not include a plan for financial help. In this connection we must point out that any financial operations which may be set on foot assume as a basis the existence of security in the world, and especially in Europe, and consciousness of, and a desire for, that security.

Transfers of capital, loans and long-term mortgages are impossible unless confidence exists. The first of the financial measures to be applied is psychological, and it follows from the political measures: the establishment of confidence, in order to give lenders the certainty that they will recover their interest and capital. That must be the starting point of any considerable financial programme.

Let us suppose that at the end of this session of our Commission and of that of the Council of the League which will follow it, it should appear that concord between the nations, at one time threatened, has been strengthened by these discussions, and that we have been successful in re-establishing harmony and dispersing the clouds which at one moment arose above the Geneva horizon.

Do you not think that this fact would strike the peoples keenly and spread the certainty that the League of Nations is an organisation with a definite rôle to play and that, once put into action, it will solve the problems which are placed before it?

In the atmosphere thus created it would be possible to institute financial measures, and to consider requests for capital from those who are in need of it.

The French Government thinks that it would be advisable to request the Financial Committee of the League, or an organisation set up within the Committee, to receive the requests of States or groups of industries which are in need of capital. Borrowers would apply to the Financial Committee, or the office which would be opened. They would explain their needs, would say in what conditions they were prepared to borrow, and for what purpose the capital would be used. If the undertaking appeared to be important, useful, profitable, sound and justified, the Financial Committee’s office would start a campaign to collect the necessary capital in the various countries and to settle the conditions of the loan. If it were necessary to issue securities, that would be done under the auspices of the League and with its moral authority. Lenders would certainly soon come forward. Such is the suggestion which the French Government puts before you, and which it believes you might usefully examine.

There is one other suggestion which would be more difficult to carry out, but which is worthy of attention: it consists in findings means of creating an international security which could be issued on the various international markets and which would be given large facilities for circulating freely in all markets.

As regards operations which do not come within the preceding category, short-term, medium-term and long-term credit operations, which would be left to the various markets, the French credit institutions have always been anxious to co-operate with the other creditor markets in order to make such credit possible. Steps have even been taken in this direction. Apart from the more important issuing operations which have taken place on the Paris market, the Bank of France has recently grouped together a certain number of French banks. This group has stated that it is prepared either to get into touch with similar groups in other countries or to intervene directly, so far as its assets permit, for the purpose of meeting those who are in need of medium-term credit.

Certain agricultural circles, on the other hand, have had occasion to emphasise the importance of developing the financing of crops. The French Government is prepared to approach those French banks which specialise in operations of this kind and to consider with them the concrete formulae which would make it possible to offer such help either in France or preferably by agreement with the principal markets.

Finally, an appreciable improvement in international relations in the sense which I have just explained should in any event result in an increase in normal operations on all
markets. This is at present difficult, owing to the political atmosphere. It should in particular have the following effects:

(1) More general inclusion of quotations for first-class shares on the various national markets. At present these are often only quoted on their own market. The companies concerned would then be better informed and find it easier to obtain capital.

(2) More active participation of the various national credit institutions in investment operations abroad, either by investment of their reserves or of the product of bonds issued by specialised organisations.

(3) Constantly increasing facilities for the investment on creditor markets of important foreign issues, whether the loans of public communities, concessionary companies or private firms.

Obviously, in applying these measures, help should first be given to countries which urgently need it. In this connection, action which we contemplate on behalf of Austria on the industrial plane would naturally be completed by similar action on the financial plane.

It is equally obvious that the various parts of the French Government's constructive programme form a whole, and that the formation of industrial agreements for the purpose of avoiding anarchic competition, dangerous to the lending countries, should be accompanied by financial help.

Above all it is clear — and too much emphasis cannot be placed upon this fact — that, if such a programme is to be successful, it must be based on the existence in Europe of a general desire for relief. In the absence of this desire, savers in the various countries who are above all anxious for security, will continue to suspect foreign investments, whatever measures the Governments may take. Financial necessities are definitely connected with political necessities, and no solution will be satisfactory unless it is based on common support of a plan for European reorganisation.

Such are the main lines of the programme which the French Government asks you to consider. As I said at the beginning, this programme is open to discussion and amendment. You will feel — at least I hope I have given you this impression — that at no time have I been under the illusion that I hold truth in the hollow of my hand. On the contrary, I do not believe in doctrinarism. It could not possibly exist in the presence of the problem which we now have to solve. The best way of reaching a solution is to humble oneself before the facts and to learn from them. Nor should we expect a miracle which will settle everything in a moment. No such solution exists. The difficulties which we are endeavouring to overcome will rather be solved by unceasing effort, flexible and many-sided, in all directions at once. It must be made in a reasonable spirit and unbroken union, for the economic crisis superimposed, as it were, on the political wounds of our continent which have not yet properly healed may plunge Europe into anarchy and misery, unless we fight it shoulder to shoulder.

Europe can emerge from this ordeal stronger and more harmonious. Western civilisation will eventually benefit from it. It will mark a new step forward in the rational organisation of the nations. We must work with a fervent heart and with no thought in our minds except the common good.

M. Schober (Austria). — I have listened with the greatest earnestness to the speech of M. Francois-Poncet. I am very sorry that I cannot immediately answer the various questions raised, although it is necessary to remove the misunderstandings I noted in the course of his speech. As, however, it was decided yesterday that in this debate no special points must be discussed, I shall endeavour to confine my remarks to general considerations.

In 1925 the League of Nations asked Mr. Layton and Professor Rist for a report on the economic situation in Austria. This report concluded thus: "The main cause of Austria's present troubles lies in the difficulty of her commercial relations with her neighbours. We will only note that the problem really exceeds the limits of the Austrian question. It is, in fact, a European question." In the meantime, this diagnosis proved entirely correct. The troubles defined in this report as "le malaise économique" have meanwhile developed into a serious economic crisis, from which Austria is suffering most severely. Just before I left for Geneva, the Austrian Government was compelled to reconstruct, at the cost of heavy financial sacrifices, Austria's most important financial institution, whose paid-up capital had been practically wiped out as a result of the unfavourable economic conditions. There have been 400,000 unemployed in Austria during the past winter. Everybody knows the amount of hunger and misery and the burden on the State finances which such a figure means. Industries and agriculture are struggling almost desperately for their existence. Austrian imports exceed exports by
one thousand million schillings a year. We are all aware of the fact that there exists a worldwide crisis, and that it has affected almost every country; but it cannot be denied that the situation of the new Austria is an exceptionally critical one.

Austria has realised from the beginning that closer economic relations with her neighbours are of decisive importance for her economic life. For this reason Austrian Governments have over and over again declared their willingness to enter into negotiations in this direction with all Austria's neighbours. Under Article 222 of the Treaty of St. Germain, Austria, Hungary and Czechoslovakia were permitted to put preferential duties into force. As this regime was to be limited to three States, to certain categories of goods, and to a period of five years, it was unlikely, from the outset, that use would be made of this article of the Treaty; and, in fact, no use has been made of it.

In 1922, Austria was engaged in negotiations with Italy for a financial and economic union. In 1923 conversations took place with regard to a system of preferential duties between Austria, Italy and Czechoslovakia. Repeated negotiations were conducted with the German Government, for the purpose of discovering means to shape commercial relations between the two countries in such a way as better to serve Austrian interests while maintaining intact the principle of most-favoured-nation treatment. Within the last few years, however, all the other European States have also been forced, in varying degrees of intensity, to realise that their policy of commercial segregation, as it became intensified, was beginning to endanger their trade. The consequent trend of public opinion found its expression at the International Economic Conference of 1927. It was declared at this Conference that the economic restoration of Europe was impossible without economic disarmament. The League of Nations has since made numerous attempts to put into effect the principles of the Economic Conference. The schemes first proposed were intended to include all countries; but later they were limited to Europe. In spite, however, of the adequate organisation of the League of Nations, the delegates did not succeed in obtaining positive results. The feelings of these Conferences have been described to us in a moving manner by M. Colijn, their distinguished President, at the last session of the Commission. As a matter of fact, we have to struggle against excessive unemployment, due to the industrial crisis and the plight of agriculture, without any hope of effective international schemes being launched and without even a practical programme for international collaboration.

Having regard to this dangerous position, I took the liberty at the last Assembly to explain that whenever important economic interests are opposed to each other and whenever, far-reaching discrepancies exist between the economic conditions of the various countries, it is impossible to reach agreement between twenty-seven European States without preparatory and transitional measures. I therefore suggested that negotiations should be entered into by groups of States, and their results adapted to each other. In fact, a number of attempts have been made in this direction.

The agrarian States of Eastern Europe have held several conferences and have decided to take joint action. Roumania and Yugoslavia have resolved to form a Customs union. The Netherlands, Belgium, and the three Scandinavian countries have concluded a convention on economic rapprochement. The industrial countries of Europe are in negotiation with Eastern countries to obtain favourable marketing conditions for the latters' agricultural surplus. Several countries are negotiating, on a collateral basis, commercial treaties with Great Britain. It is to be hoped that these attempts will give practical results, at least to a certain extent; but we should not be deceived by the fact that the aims of these undertakings are strictly limited. Their results will, of course, be still less ample and cannot correspond to the magnitude of the economic and social problems with which we are faced.

We Austrians fully realise that no effective alleviation of European trade can be brought about by applying the policy of bargaining hitherto used, even to safeguard against further impediments. Even the Customs walls erected only a few years ago between Austria and her neighbours (all of whom, up to that time, formed part of the same economic unit), cannot be abolished by applying the old methods of commercial policy. Far less, indeed, can the Customs barriers between the other European States which have been increasing for more than half a century be banished by such means. Prompted by this conviction, and under the pressure of the extraordinary deterioration of the economic situation, the Austrian Government is eager to enter into negotiations with groups of countries and to apply new methods in these negotiations.

One method is the system of preferential duties. This system, which would produce a marked improvement in trade between the countries according them, cannot achieve its object unless all-round reductions of the duties hitherto in force are made on a large scale, and provided there is no petty bargaining over the various tariff items and the
respective preferential duties. The greatest difficulty experienced in establishing a preferential regime — a difficulty which has indeed hitherto proved insuperable — is that the assent of all most favoured nations, both European and non-European, must be obtained. The Austrian Government was bound to conclude, from the discussions which have taken place during the last few months at Geneva, Paris and Rome, that preferential duties, if applied at all, can for the present only be applied on a limited scale, in single cases and merely as a temporary emergency measure. This pathway then would not seem likely to lead us out of the labyrinth of excessive protectionism.

If so, the only course open to States which feel that they cannot introduce all-round free trade, and are obliged at the same time to make every effort to develop their trade in all directions, is to join a Customs union. A Customs union is not in contradiction to the most-favoured-nation system, and it eliminates the need for discussions that often lead negotiators astray on negligible points of detail. We are aware of the risks and sacrifices entailed by free trade, but must contrast them with the important advantages of economic development offered by the existence of large economic units. We have come to the conclusion that it is necessary for us to follow this system, as we have been prepared to do for more than ten years, with all our neighbours.

The Austrian Government is aware that the success of an undertaking of this kind depends, in the first place, on the attitude of the great Powers of Europe. Austria does not in the least desire to claim a position to which she is not entitled.

Objections have been raised to our scheme on the grounds that it is unlikely to bring about an improvement in European trade unless all, or nearly all, European States negotiate simultaneously and uniformly along these lines. This view is a reversion to the misconceptions that have, for the last four years, resulted in the failure of all the economic undertakings of the League. In these circumstances, it is not possible to reach agreement simultaneously between a large number of States, even on questions of minor importance, such as the abolition of import and export prohibitions. Negotiations between groups, therefore, become a necessity.

The assumption that, as a consequence of the formation of one or more groups of countries within which goods can be freely exchanged, Europe would necessarily be split up into a number of mutually hostile groups, is a misconception of the actual situation. The commercial policy of such groups would, of course, be more liberal than is now the case with single States. This would result from the multifarious character of each undertaking. It should, moreover, be noted in addition that one State could at the same time be a member of several groups. These groups would exert an irresistible attraction on each other, and would almost immediately show a tendency to amalgamate. Those who have a different conception of Europe's economic evolution do not realise the decisive fact that European States have introduced most of their import duties as a safeguard against each other, and not in order to cope with overseas competition. The larger the number of States which arrange for the mutual free exchange of goods, the larger the number of duties which can be dispensed with.

Austria's earnest and loyal intention to remain within the European concert and to make her regional action harmonise with that intention is proved not merely by the fact that she has been negotiating for ten years with various Governments for a better economic understanding, but also by her readiness to negotiate with several of her neighbours with a view to concluding agreements for the benefit of mutual trade by granting credit facilities and reducing transport costs in compliance with the recommendations of the Economic Organisation of the League. Austria, too, is participating in the negotiations with Great Britain; and in this connection the Austrian Government is of opinion that a free-trade country should be granted at least the same privileges as are conceded to a protectionist country in exchange for a reduction of its import duties. It is perfectly justifiable to argue and maintain that a State which allows free imports should be allowed free exports. That principle, however, is unlikely to lead to practical results so long as, on the strength of the most-favoured-nation clause, free trade would have to be granted to States which continue to impede trade by means of high tariffs.

Austria has shown that she is ready to negotiate on any reasonable basis. We are absolutely willing to co-operate in any scheme which other Governments may propose and to enter into immediate negotiations for the purpose. We shall carry on all such negotiations on parallel lines and subsequently co-ordinate their results. But we cannot wait any longer, and cannot be fobbed off with the promise of some new conference which, more likely than not, will be doomed to failure like the rest. We must insist on positive negotiations having some hope of success, negotiations which do offer the prospect of an adequate solution of our serious economic and social problems: for that is our duty towards the Austrian people.

The continuation of the discussion was adjourned to the next meeting.
Chairman: M. Aristide Briand (France).

24. Economic Questions: The World Economic Crisis in so far as It concerns the Community of European States: General Discussion (continuation).

M. Litvinoff (Union of Soviet Socialist Republics): Mr. President, allow me, first of all, to thank you for your very kind words of welcome addressed to the new arrivals in Europe. My presence here will, I am sure, greatly rejoice the hearts of all the geographers of the world, for it confirms, if only partially, the hypothesis that the territory of the former Russian Empire is still to be found in Europe.

My position here is somewhat exceptional, if only because the country I represent is not passing through a crisis, but is experiencing unprecedented development in every branch of its economic life. This does not, however, mean that we are totally unconcerned by the world crisis, or that the interests of the Soviet Union are not thereby affected. The Soviet Union is at the present moment engaged in trade with the vast majority of European and non-European countries—a fact which in itself makes the economic perturbations in these countries anything but a matter of indifference. The fluctuation of prices is also an example of the way in which the crisis affects us. The execution of the far-reaching plans for the high-speed industrialisation of the Soviet Union necessitates and will continue to necessitate an annually increasing importation of industrial goods from other countries. My country has to rely, for the payment of such imports, almost exclusively upon its exports of raw material. The decline in the price of raw material during the last few years, taken in conjunction with the practically unaltered level of the prices of manufactured goods, reacts, of course, detrimentally upon the economic life of the Soviet Union. Thus the immediate connection between the world crisis and the interests of the Soviet Union is evident. Indirectly, these interests are encroached upon by various schemes against the Soviet Union conceived, and to a certain extent carried out, by some States, whether in futile attempts to extricate themselves from the crisis or with other aims for which the crisis serves as camouflage.

Last but not least, the relations to be established between the Soviet Union and other European countries cannot fail to react upon the development of the crisis.

I think I have said enough to demonstrate clearly what our interests are in the study undertaken by this Commission of the problem of the world crisis. I do not know if any delegates have effective remedies to suggest for the complete rehabilitation of the world. For my own part, I think no such remedies exist, or can exist. Anyhow, you will scarcely expect any such proposals, in this place, from a representative of the Soviet Union. It is common knowledge that we consider economic crises of over-production to be crises arising out of the capitalist system itself and inseparable from it. They are rooted in the profound clash of interests within this system, and make their appearance periodically, at more or less regular intervals.

No one is likely to deny, however, that the present crisis is the worst ever experienced by the capitalist system. This time we are confronted by an industrial crisis inextricably bound up, and not merely coinciding, with an agricultural crisis. The mutual interplay of these crises inevitably intensifies and prolongs the economic crisis as a whole.

The gravity of the situation is enhanced by the policy of monopolist bodies endeavouring to maintain high prices on the national markets of the various countries. No one can deny that this policy considerably hampers the absorption of stocks, creates almost insuperable difficulties in the way of getting goods to the consumer, and thus furthers the prolongation of the crisis.

It is generally recognised that the gravity and acuteness of the present crisis, especially in European national economy, are to a great extent due to the fact that they have their origin in special post-war conditions, caused by the disorganisation of world economy during the war, the system of post-war treaties, international indebtedness, new military caucuses, and so on.

It seems to me, therefore, that the Commission ought to devote its main attention to the study of those specific causes which have made the present crisis so acute, and of the measures capable of eliminating them, so that, if the crisis cannot be mitigated, it shall at least not be allowed to become worse.

The causes I have in view must, of course, be sought on the political as well as on the economic plane. They have their roots in the general situation arising as a result of the world war and post-war policy. I will merely enumerate them with the utmost brevity. The immediate connection between the increase in the burden of taxation and the crisis...
is too obvious to require emphasis. It is equally obvious that the increase in the burden of taxation is chiefly caused by tenacious militarism and the incessant growth of armaments. Despite the Locarno, Kellogg, and a host of other pacts, upon which certain pacifist circles laid such high hopes, the growth of armaments shows no sign of decline or even of arrest, nor has the work of the Preparatory Disarmament Commission given much ground for hope in that direction. The policy of forming military-political caucuses continues and is turning Europe, and indeed the whole world, into a series of armed camps, whose only thought is to prepare for fresh sanguinary conflicts. The existence of these groups naturally intensifies competition in armaments, each State being forced to keep a look-out, not merely on this or that other State, but also on all groups existing or potential.

As economic differences increase, so political differences become even more acute; witness the increase of protectionism, which has particularly detrimental economic effect on post-war Europe, where the length of land frontiers has been increased by twenty thousand kilometres or about 30 per cent. It is, moreover, impossible to ignore the part played in creating and stimulating the crisis by yet another consequence of the war — namely, the burdens imposed upon European countries, in some cases in the form of reparation payments, in others through the so-called interallied indebtedness. This burden is felt most heavily by the broad masses of the population; it reduces their purchasing power, and prevents them from absorbing production. To this should be added the irregular and disproportionate distribution of world gold reserves, which lie useless in the vaults of a few countries: their inert mass presses heavily upon all the other countries, which are suffering from a gold deficit.

Special emphasis should be laid upon the menace which the lowering of the purchasing power of the broad masses of the population in town and country constitutes, connected as it is with unprecedented unemployment, the systematic lowering of wages, the reduction of the working-day of the employed, the cutting down of social insurance expenditure, and the increased burden of taxation, which falls heaviest of all upon the shoulders of labour.

All these factors are creating in Europe, and throughout the world, an atmosphere of political uncertainty — the fear of an impending catastrophe. This atmosphere affects the credit policy of the banks, paralyses investment, holds up the capital required for constructive work and thus still further intensifies and prolongs the existing crisis.

The feeling of mistrust and uncertainty prevailing in Europe is at the same time artificially enhanced by anti-Soviet campaigns, aimed at proving the necessity and inevitability of a military attack by the capitalist countries on the Soviet Union, an attack, the plans and conditions of which are openly discussed in the Press and at public meetings.

As I have already stated there is no lack of attempts to make of the world crisis a starting-point for these campaigns. Certain capitalist circles, which are particularly interested in distracting attention from the true causes of the present crisis, are endeavouring, with peculiar zeal, to divert enquiries into wrong channels, on the ludicrous assumption that practically the only cause of the present crisis is the very existence of the Soviet Union. To show how utterly absurd this is, it will be enough to point to the exceedingly modest place occupied at present in world trade by the Soviet Union.

The absurdity of the thesis is also proved by the fact that it is by no means only the markets to which the Union of Soviet Socialist Republics exports, but, to a considerable extent, the markets from which it imports, that have been affected by the crisis. The figures quoted in the report of the Economic Organisation of the League furnish a sufficiently vivid illustration on this statement. Thus the price of coffee fell from 16.25 per lb. in September 1929 to 10.3 cents in March 1930, while in the same period the price of tin fell from £204.9s. to £165 per ton and rubber from 10s. 6d. to 7s. 6d. per lb. During the same period rice fell 49.2 per cent, and in September 1929 to 7s. 6d. per lb. Economic crises existed before the Soviet State came into being and, this being so, we are entitled to assert that the present crisis would have been more acute and widespread if the Tsarist or bourgeois Russia — that is to say, a political-economic organism similar to that of the rest of the world — were in the place of the Soviet Union, for it would undoubtedly have been drawn into the general crisis, and brought its whole weight to bear upon it. Statesmen specially concerned to stave off social upheavals in other countries would have yet another care, and would perhaps be forced to call special international conferences to find means for averting social upheavals arising out of the crisis in Russia.

I should now like to ask the following question: Does the fact that one-sixth of the world, or almost one-half of the territory of Europe, is untouched by the crisis, that there is in the world one country whose imports of manufactured goods from other lands is increasing with every year, instead of falling off, whose orders are pouring into the factories of those lands, reducing unemployment, supplying foreign ships with freight, that this country has no unemployment, and its population is not pouring in its thousands to other lands in search of work, as they did under the Tsarist regime, intensify, or does it mitigate, the fear of an impending catastrophe? This atmosphere affects the credit policy of the banks, paralyses investment, holds up the capital required for constructive work and thus still further intensifies and prolongs the existing crisis.
the world crisis? There can be no sort of doubt that Soviet orders, increasing from year to year, constitute a mitigating factor in the crisis. If it is borne in mind that 53.5 per cent of the total tractor exports of the United States of America went to the Soviet Union in 1930, that in the same year the Union received about 12 per cent of the textile machinery export of Great Britain, and from Germany 23 per cent of the total export of agricultural machinery, 21 per cent of lathes exported and over 11 per cent of the total export of other machinery, while in the first quarter of 1930 out of a total output from Polish foundries amounting to 77.1 million tons, of which 30.8 millions were exported, the Soviet Union alone took 30 millions, it becomes obvious that there can be only one answer to the question whether Soviet foreign trade is increasing or mitigating the present economic crisis.

It must be obvious to all that Soviet imports are a mitigating factor in the crisis, especially of Europe, since Soviet orders are more and more being transferred to European countries. Surely it is unnecessary to point out that once the importance of Soviet imports is admitted, it is difficult to object to Soviet exports which must be made to balance imports.

In recent anti-Soviet campaigns prominence has been given to the supposed unfavourable influence upon prices in the world market of raw material exports from the Soviet Union. No one will deny the lowering effect of any mass of goods on the market. But the same effect is produced by the same bulk of exports from other countries. Why then are the Soviets, rather than any other exporters, to be considered as the culprits in the matter of falling markets? Why is it that exports from some lands are legitimate, while exports from others constitute an offence against world economy? What grounds are there for the limiting of exports of some countries in the interests of others?

Before going any farther, I should like to remind you that Soviet exports, in the majority of cases, are far from having attained the pre-war level. The wheat exports of Tsarist Russia, for instance, amounted to 25 per cent of world exports, whereas even in 1930 the Soviet Union exported not more than 20 per cent of the wheat on the world market. Soviet manganese exports were only 35 per cent of world exports, as against 51 per cent from Tsarist Russia. The flax exports of Tsarist Russia composed 53 per cent of all flax on the market, that of the Soviet Union being only 42 per cent. Tsarist Russia exported seventy-eight thousand tons of butter as against ten thousand from the Soviet Union. Why then, one asks, were not Tsarist exports subject to condemnation, since their withdrawal from the world market would have sent up prices considerably, to the advantage of competing countries?

Some time ago attempts were made to justify the campaign against Soviet exports by flinging the accusation of "dumping" against the Soviet Union. Not only could this accusation not be substantiated; it was, on the contrary, frequently and publicly refuted, and that not only by official representatives of the Soviet Union but also by impartial investigators and economists even in capitalist countries.

We do not, of course, deny that the special conditions of agriculture and foreign trade in the Soviet Union allow of the sale of agricultural products at lower prices than can be offered by other countries. These specific conditions are: the absence, thanks to the nationalisation of land, of those heavy calls upon the peasant population—rent, lease, mortgage—which are such a drain upon agriculture in other lands, absorbing sometimes 70 per cent of the cost of production, and the elimination of private profits, exchange speculation and the middleman. In the last resort, however, world markets are regulated by the law of supply and demand.

We are, of course, not interested in a lowering of world prices which would result in a lowering of our export receipts, which, as is generally recognised, are essential to us for covering the machinery imports we need for the building up of our industry, and would delay the fulfilment of the Five-Year Plan. We have, however, no desire to speculate in booms or slumps at the expense of the consumers of bread. It is in conformity with these considerations that we consented to take part in the Grain Exporters' Conference beginning to-day in London.

It is perfectly obvious that low prices cannot be regarded as indicating "dumping." If, however, by "dumping" is to be understood the policy of high monopolist prices on home markets and cut prices for export, it will be found that it is precisely the capitalist countries which are guilty in this respect, as to which we have authoritative and candid admissions. In the report of the International Labour Office there are interesting data as to that breach between home and export prices which is said to constitute "dumping."
and which is connected precisely with the policy of monopolist prices on home markets. I could quote examples indefinitely, drawn exclusively from the capitalist Press. In Czechoslovakia, for instance, sugar was sold last year for about 555 Czech crowns per hundred kilogrammes wholesale, and 600 crowns retail, while the export price was 80 crowns per 100 kilogrammes; in Poland the price on the home market was 400 zloty and on the foreign market 300 zloty; in Germany the price per 50 kilogrammes was 23-24 marks at home and 6.7 and 5.8 marks abroad. There are also well-known examples of agricultural "dumping". I need not dwell upon these points, which I suppose are known to you all through the various reports communicated to this Commission.

Only a few weeks ago M. Hotowetz — one-time Czechoslovak Minister for Trade — declared that it would be pharisaical to accuse the Soviet Union of dumping since neither Czechoslovakia nor any other capitalist country was any better in that respect. He specially named such exports as sugar and iron.

I have dwelt at length on the question of "dumping", not only because the accusation has been advanced in respect of our exports, but also because the policy of "dumping", consisting in the establishment of high monopolist prices on the home market, constitutes — as I have already pointed out — one of the real factors complicating and intensifying the crisis.

High prices prevent the absorption of stocks, they arise out of the "dumping" of monopolist organisations carrying out export, and high protectionist tariffs in the countries importing the corresponding products. The report of the Economic Organisation of the League referred to the breach between export and home prices, without, it is true, giving any explanation of its causes, and without formulating any conclusions. The fact, however, that with a 48.3 per cent lowering of the price of wheat from March 1929 to March 1931, on the open market in London, there is, in spite of an acute agrarian crisis, a 28.5 per cent rise in the price of wheat on the Berlin market, and a 12.9 per cent increase on the Paris market, shows clearly that such a policy with regard to prices can only curtail the already low purchasing powers of the broad masses, and render still more acute the existing crisis.

Thus the only way in which the crisis can be mitigated is by creating conditions which would at least do something to increase the purchasing power of the masses, and facilitate the absorption of goods stocks. Yet the proposals to which I have listened in this Commission tend precisely towards the intensification of the specific conditions of our times, preventing the mitigation of the crisis. These proposals would result in the further development of the policy of high prices, which are so grave an evil of the present economic situation. For after all, to what does the proposal made by M. François-Poncet, with regard to the extension of the present practice of international organisations in separate branches of industry, amount? The existence of steel and copper trusts has not staved off the crisis, but the existence of such cartels, keeping up price-levels in the face of over-production, has brought about a state of affairs in which stocks cannot possibly be absorbed and the crisis threatens to expand far beyond the usual limits. This being the case, the object of the proposal of the French delegate is seen to be the expansion and spreading to new spheres of the existing policy of capitalist amalgamation, establishing high prices for securing monopolist excess profits. It would seem that the mitigation of the crisis called for precisely opposite proposals.

In view of the importance of this question, and of the false accusations of "dumping" levelled at the Soviet Government, I would suggest that the States represented here should adopt a joint declaration, subsequently to be converted into an international Convention, for the compulsory filling up of the breach between these prices, and compulsory sale on the home market at prices not higher than on the foreign market. While we categorically deny the existence of Soviet "dumping", we would not refuse to take part in such an international act, which would indubitably have the most favourable effect upon the economic position of the broad masses of the population, raising their purchasing power and helping to absorb over-production, and thus mitigating the crisis.

I am endeavouring to map out the lines along which means might be sought for the mitigation of the crisis. The first essential, however, is to abandon false ideas. Such a false idea is the incessant harping upon the Soviet Union, the fight against which is declared to be the only radical means of curing the world from crises now and for evermore. A campaign like this may appear to be of temporary advantage to certain interested circles or even countries — not necessarily European — competing with the Soviet Union in the supply of the world market with raw materials, but it can never have anything in common with the interests of Europe as a whole or with the world crisis in so far as it affects the collectivity of "European States".

Not much imagination is required to realise that, in depriving Europe of a market so important and so fraught with rapid potential expansion as the Soviet Union, by depriving whole branches of industry of orders and thus increasing unemployment, the world European crisis will be intensified and not mitigated.
Unfortunately, up to the present, incorrect ideas have been sufficiently widespread as to the prospects of the development of economic relations between the Soviet Union and neighbouring countries. The reconstruction going on in the country, the carrying out of the Five-Year Plan, do not, and will not, lead to the curtailment of the Soviet Union’s foreign trade. The more our national economy develops, the stronger it becomes, out of the Five-Year Plan, do not, and will not, lead to the curtailment of the Soviet Union and neighbouring countries. The reconstruction going on in the country, the carrying into negotiations with countries which have hitherto hesitated in this respect. Is not this sufficient proof that business considerations and economic interests of the capitalist countries — precisely during the present crisis — demand not conflict, but the extension and consolidation of relations with the Soviet Union, and that anti-Soviet campaigns have nothing to do with the crisis, but merely pursue either political or narrow competitive aims?

While pointing out the favourable influence of the Soviet Union’s foreign trade on the present world crisis, I am far from desirous of creating an impression that there is harmony of interests between the two systems — the capitalist and Soviet — now existing in Europe. The differences between these two systems exist and will continue to exist. These two systems are struggling and will continue to struggle against each other by the very fact of their existence and development. The question is whether this struggle and development will be allowed to follow a natural process or whether both systems will have recourse from day to day to mutually hostile measures which can have no decisive influence on the outcome of the struggle, but will turn out to be two-edged weapons.

There are persons and Press organs (I do not know how seriously they are to be taken) who ascribe to the Soviet Government a “diabolical plan” for the sale of export goods below cost price, with the sole aim of disorganising capitalist economy. It would be difficult to imagine anything sillier than such a plan, which, while not deciding the fate of capitalism, would nevertheless reduce export receipts and consequently imports to the Soviet Union, thus delaying the socialist reconstruction, which is an infinitely more important factor in the struggle of the two systems. No less absurd are plans for combating Soviet foreign trade, for, while not deciding the fate of the Soviet system, these strike a far heavier blow at the capitalist States, where the crisis can only be rendered more acute by the fulfilment of such plans.

On the other hand, it would be naïve to expect capitalist States consciously and impartially to assist the construction of socialism in the Soviet Union, or the latter consciously to further the strengthening of the capitalist system. The question can only be one of economic agreements and dealings between capitalist countries and the Soviet Union, mutually advantageous for all parties concerned, and for which there is ample scope. I am leaving aside for the moment the possibility of military attack on the Soviet Union and have in view a peaceful period of a given duration.

It is time to realise that the Soviet Union is a fact that must be taken into account, that the Soviet Union cannot be made to disappear by the incantations, abuse and resolutions of certain groups and individuals, still clinging to their dreams of somehow getting rid of it by magic. If the countries here represented decided at a World Conference, meeting at Geneva exactly four years ago, to pass a resolution on the possibility of the peaceful co-existence of two systems at a given historical stage, how much more reasonable it is to recognise and carry out loyally this resolution now, when the Soviet Union is still stronger, when it has shown in the last few years the immense scope in all its branches of economic construction, which have won the admiration of foes as well as friends, the mighty popular enthusiasm without which this scope would have been absolutely impossible.

A Commission of Enquiry for European Union cannot base its work upon a campaign, or the invitation to a campaign against any country or group of countries, without contradicting its own declared principles and aims. I began by saying that I would propose no means for the elimination of the conflicts within the capitalist system, which underlie the world crisis. I do think, however, that something might be done to remove phenomena which unnecessarily aggravate these conflicts and increase and prolong the crisis. This requires, in the first place, the avoidance of everything tending to increase still further the atmosphere of mistrust, uncertainty and grievance, the existence of which makes it of no avail to speak of the peaceful economic co-operation of nations.

I am as yet unaware whether effective suggestions have been made to this Commission on the lines I have indicated. I know a great deal has been written and said about the establishment of the preferential system. I do not feel quite clear as to the exact meaning of this. Does it mean the establishment by every European country of special preferential tariffs for the produce of other European countries? It seems to me that something else
is intended — namely, the extension of preferential tariffs and other privileges for certain countries or groups of countries only. If that is so, would it not mean the transference to the economic plane of those very methods which before and after the war were applied — with extremely unfortunate results — on the political plane? Would it not result — instead of the realisation of the principle of a united Europe proclaimed in this Commission — in the division of Europe into economic groups and camps destined not to co-operate, but to combat similar groups, the stimulus in these combats being not so much economic as political motives?

We know, for instance, that, when the question of help for the so-called Danubian countries was raised at Paris, M. Fotitch, the representative of Yugoslavia, declared (if I remember rightly) that this help would be more of a social than a political nature. Here we see the question treated without a word about economics or the crisis, but simply from the political point of view. It seems to me that the creation of new blocs and groups, or the consolidation of those already in existence, the artificial economic support of some countries to the detriment of others, can only render the economic and political struggle now going on still more acute, increase the existing confusion and chaos and lead to results in direct contradiction to the slogans according to which this Commission was called to life.

It seems to me that the establishment of an identical attitude towards all States and — since we are now speaking of Europe — towards all European States, would do much more to facilitate the carrying out of these slogans, more especially that of the peaceful co-existence of nations. This demand that each European State should agree to establish identical treatment for all other States would eliminate all elements of discrimination whatsoever.

I should explain that, in advancing these proposals, I by no means intend to limit the sovereignty of States which are historically and economically disposed to special forms of close relationships. The principle of the free self-determination of nations, including the right of each State to enter into any unions and federations, so long as it is done really freely and not for temporary combinations directed against other countries, must remain inviolable. I may describe my proposal as a kind of economic non-aggression pact. I have endeavoured to expound the idea of such a pact in draft protocol, which I venture to bring before your attention.

I do not know what your attitude will be to such a protocol, but it will at least serve as evidence of the readiness of the Soviet Union — sure of its strength and utterly absorbed in the fulfilment of the tasks of international construction confronting it — to adhere as before to the principle of the peaceful co-existence of the two systems at the present stage of history, and of its having no aggressive intentions, whether of a political or economic nature, against any other nations.

M. Hyman (Belgium) [Translation]. — My object in speaking is simply to comment on the two proposals which the Belgian Government placed before the Commission several weeks ago. I will, however, make a few observations with regard to the substance of the general discussion. These observations are suggested by some of the remarkable speeches we have already heard.

The discussion has shown that everyone recognises the importance, in serious economic crises such as the present European crisis, of reaching agreement as to the constructive proposals from which it may be hoped within a short time to derive practical results.

Various important suggestions have been put forward, and although Belgium is only indirectly interested, she is prepared, in a spirit of international fellowship, to help, so far as lies in her power, to solve the problem of Central and Eastern Europe. Above all, however, my country is anxious to see a general improvement in international trade. This is not a purely industrial problem. Indeed, several Western European States, including Belgium, are not only exporters of industrial products but also, and to a very great extent, exporters of agricultural products. In this connection, the French Government has suggested that the chief remedy lies in an increase in industrial agreements. In this way it is hoped that Customs tariffs will be lowered.

I quite recognise that this would be useful. I had occasion at the last session of the Assembly to point out that industrial agreements might offer a satisfactory solution for large-scale production. Generally speaking, Belgian producers are in favour of such agreements, and the Belgian Government is prepared immediately to consider any plans by means of which Customs exemption could be extended to the goods coming within the purview of such agreements.

At the same time, I do not consider this a complete solution, for it is difficult to conclude agreements for high-quality products. Moreover, the principal effect of these agreements is to normalise the existing situation. Our principal object — and on this the European States are in agreement — should be the expansion of markets. This can only be achieved by gradually lowering the existing barriers to international trade.
I am glad to note that the French Government, while insisting on the importance of industrial agreements, does not reject any other method which might lead to the same result, and, in particular, that it is prepared to continue the present negotiations as a result of which certain countries are hoping to bring about a revision of the existing tariffs. We should pay special attention to the negotiations between Great Britain and the principal industrial States of Europe, to which the Belgian Government attaches great importance. These negotiations may lead to the establishment of new facilities and guarantees, and thus to a rapid improvement in European commercial relations. The participating States drew up a plan at the conclusion of the thorough enquiry and lengthy discussions which took place at the two Conferences with a View to Concerted Economic Action. They reached agreement as to the procedure to be followed. These negotiations, the principles of which are now firmly established, should be opened immediately, and they should be pushed forward energetically. As Belgium is desirous that they should be brought rapidly to a conclusion, she is prepared, notwithstanding the modest proportions of her Customs tariff, to respond most liberally to the requests which have been addressed to her. I am convinced that the other States concerned have similar intentions. In a few months, therefore, positive results of unquestionable importance may be expected.

I now come to two proposals submitted to the Commission by the Belgian Government. They are of a limited nature. I shall refer only to the first, of which the object is to prevent the present position from becoming worse until such time as international trade has improved.

The object of the Commercial Convention concluded at Geneva on March 24th, 1930, in execution of a resolution adopted by the tenth session of the Assembly was to introduce guarantees of stability in the trade relations of the European States signatories. One of the proposed guarantees was the institution, in the Convention itself or in previous bilateral agreements, of a procedure for notification and redress, in the event of a contracting party desiring to increase its unconsolidated Customs duties.

The idea of such redress is not new. It has already appeared in various commercial treaties, particularly two treaties concluded by the Economic Union of Belgium and Luxemburg.

The Commercial Agreement of April 4th, 1925, with Germany stipulates:

"Each contracting party agrees, in the event of its modifying its present Customs system, to have due regard, in so far as such modifications may specially affect the interests of the other party, to reciprocity and to the development of the trade of the two countries on equitable lines.

"If one of the two contracting parties should consider that any Customs duties established by the other party are at variance with the preceding engagement, the two parties declare themselves willing to enter into oral negotiations immediately on the subject."

There is a similar provision, more precise and completed by a sanction, in the Commercial Agreement of February 23rd, 1928, between the Economic Union of Belgium and Luxemburg and France. It is contained in Article 5, and is as follows:

"The High Contracting Parties, having concluded the present Agreement in respect of the tariffs at present applied by them, and having communicated the changes which they intend to introduce therein, agree, without thereby relinquishing their freedom in regard to tariffs, that, if either party should later impose tariffs in excess of the tariffs in force, or of the tariff proposals communicated at the time of signing the present Agreement, on any product or class of products which the other party may consider of particular importance to its export trade, the latter may request that negotiations be opened forthwith, and, if these do not reach an issue within forty-five days from such request, may denounce the present Agreement at a month's notice."

We think this idea is worthy of the special attention of the Commission of Enquiry for European Union.

When the Belgian Government was invited to submit proposals for the agenda of the Commission, it observed, in a note which has been distributed to you (Annex 6), that the main object of the European Union which it was proposed to found was to set up a system based on the fellowship of the nations of Europe. Such a system implies, in the first place, that, as far as possible, the States shall avoid taking any steps which may be detrimental to the interests of other States. In taking steps in economic matters to safeguard their national interests, however, they do not always sufficiently bear in mind the interests of other nations. This is particularly the case in times of crisis. The public authorities, faced with serious difficulties, react separately with a kind of reflex instinct for preservation. It often happens, therefore, that in their great anxiety to solve their internal difficulties they take steps which injure neighbouring States. These States feel resentful and sometimes even retaliate, with the result that, far from the evil being cured, it is simply aggravated.
The procedure for notification and redress laid down in the Commercial Convention of March 24th, 1930, would to some extent remedy the evil. It would enable contracting States whose interests seemed likely to be affected by increases in the Customs tariffs of other contracting parties, to ask for redress and the necessary adjustments. This guarantee was, however, limited to increases in Customs tariffs. The Belgian Government therefore proposed that its application should be extended to other spheres, and in particular to international trade as a whole.

Unfortunately, the Commercial Convention has not yet come into force. The States which have ratified it did not reach agreement at the Conference which met at Geneva in March 1931.

The Italian Government suggests that we should make a new attempt to put it into force. In spite of the obstacles in the way, I very much hope that this effort will be made and will prove successful.

M. Colijn, who presided with such authority over the International Conferences with a View to Concerted Economic Action, suggested that the Commission should make a pressing appeal to all European States to apply the principles of the 1930 Commercial Convention.

Whatever may result from this suggestion, I consider that the Commission should adopt as one of the rules for European union the principle of previous notification of all laws or regulations through which one European State may injure the trade of other European States, and the principle of the right of recourse of the State which is injured.

If the Commercial Convention is put into force, the moral obligation thus created will extend the contractual undertakings resulting from this agreement. If, on the other hand, the Convention definitely fails, we shall at any rate retain one of its most important principles.

I propose to submit to the Committee a draft resolution based on the considerations which I have just put before you.

The Belgian Government has also suggested the preparation of an agreement for the purpose of ensuring the success of a new conference on the treatment of foreigners. I will not, however, discuss that at present, as I do not wish to lengthen my speech. I would merely draw attention to the note which has been distributed (Annex 6) and which I would ask you to read. The question is sufficiently explained in that note.

M. RAMEL (Sweden) [Translation]. — After M. Hyman’s observations, with most of which I am in agreement, I should like simply to raise the following questions.

The Swedish Government in its reply to the Secretariat of the League of Nations with regard to future negotiations has already emphasised that it is not only the excessively high Customs barriers which are impeding normal trade between the European countries, but also the continual alteration of Customs tariffs, and in general the absence, in a number of countries, of a stable commercial policy. In this connection, the Swedish Government points out that commercial treaties are very often of short duration and are frequently altered, and that in some countries there is a tendency to give a new interpretation to the provisions of the commercial treaties already in force.

The object of the Commercial Convention of March 24th, 1930, was to provide a stable foundation and an atmosphere of confidence for the concerted economic action contemplated by the Assembly at its tenth session, and thus to contribute towards the progressive stabilisation of commercial policy. The failure of that Convention, the impossibility of reaching agreement as to its entry into force within the time-limit, was also a check to the work of the Commission of Enquiry for European Union. Sweden, as one of the very few countries which ratified this Convention, did everything it could to bring about positive results at the Conference held in March 1931, when the conditions under which the Convention should be put into force were discussed. Our efforts were useless. I merely state the facts: I do not wish to reproach anyone, but I do not disguise the gravity of the present situation. Those who are attending the present meetings have a very great responsibility.

The Italian delegation made here a suggestion which I have examined with great interest: that we should consider the best methods and most appropriate procedure for bringing the Commercial Convention into force without delay, with the accession of the greatest possible number of European States. My Government would welcome sympathetically any proposal which might lead to the acceptance of the principles on which the Convention is based, and is ready to examine that proposal and anxious to arrive at a satisfactory conclusion.

Time would, however, be necessary before this plan could succeed, and in some cases it would be necessary once again to approach the Parliaments of the respective countries. Consequently, it should be remembered that, even if the Italian proposal meets with general approval — as I very much hope it will — considerable time will elapse before the Convention can come into force. This period will be one of uncertainty and instability. I venture, in this connection, to draw attention to M. Colijn’s speech at the closing meeting of the Conference of March last regarding the entry into force of the commercial Convention. M. Colijn then expressed the hope that, when the States regained their freedom to denounce after April 1st, their commercial treaties, they would not take advantage of their power, but would refrain from such action. He expressed the
The Belgian and Swedish Governments will submit a draft resolution to this Commission as to the institution of a procedure for notification and recourse in connection with international trade. This proposal also recommends that the States should give proof of their goodwill by refraining from using their power to denounce the existing commercial treaties.

I consider that the principle contained in this proposal is of capital importance to the success of the work which the Commission will undertake as a result of the suggestions and proposals just submitted to it. In my view it is an essential condition for the success of the work to be undertaken. Only thus will it be possible to lay down the firm foundation of the work to be undertaken. Only thus will it be possible to lay down the firm foundation which is so necessary if the States are to co-operate in an atmosphere of calm and security, sheltered from unpleasant surprises in the vast and difficult piece of work which is before us.

TEVFİK ROUCHİDY Bey (Turkey) [Translation]. — My first desire is to thank our Chairman for his kindly observations and the warm welcome given to the Turkish delegation last Saturday. I shall take advantage of this opportunity, however, to say a few words with regard to the very serious economic depression through which our continent is passing. I shall not examine here its profound causes and its many factors, as the previous speakers have already done so in detail and have shown their importance.

My aim is not, therefore, to give a diagnosis, but simply to express certain reflections on the conclusions to be drawn from the experiments which have already been made, and the measures recommended for the purpose of combating the serious crisis from which the whole world, and Europe in particular, has been suffering for several years. These experiments are, indeed, of great importance. They reflect, as it were, the light thrown on them, and in their turn illumine the road ahead. I attribute special importance to the plans outlined and the steps proposed by the various delegations here present. They have given us very valuable information and suggestions, and I am convinced that it would be useful to endeavour to reconcile them. The few reflections which I wish to submit for your kind consideration are inspired by this desire.

There is no need for me to dwell on the present aspect and on the origin of the problems of over-production and the decrease in the consuming capacity of the nations, or on the important part which money and credit, together with labour, continue to play in production. It is the less necessary for me to do so because very thorough enquiries have been made in this field by the technical organisations of the League of Nations, and eminent economists have dealt authoritatively with the subject. I will confine myself to pointing out that the economic parcelling out of the world, and in particular of Europe, is simply the result of a series of economic and political factors which are closely connected and which at the same time represent a new phase in the evolution of the history of humanity.

The raising of Customs barriers, against which we hear so many complaints, is only the inevitable result of this parcelling out and of the creation of new frontiers. This leads me to point out that, in addition to the economic interdependence of the world, national and even regional economy is also an established reality. These economic facts, although they appear to exclude one another, can actually be reconciled.

I will take several examples from among the measures recommended, following the order in which they were proposed, in order to show briefly our point of view with regard to reconciling the economic interests of the nations and the measures proposed in the Commission — a point of view which is based on the idea of an equitable balance between the interests to be safeguarded and the sacrifices to be made.

In the first place, a Customs union between two or more countries might doubtless have the advantage of removing some of the Customs barriers, extending the sphere of economic activity of the communities in question, and reducing some of their expenditure. On the other hand, it would have the disadvantage of creating more solid and resistant economic “fronts” within the international community, unless the conditions under which it was brought about were made to harmonise with the needs and interests of that community. Such a step could only lead to useful results if these elements of harmony and equivalence to which I have just referred were present, and this would not seem to be impossible.

We also support the point of view that the various countries should continue to negotiate and freely to conclude commercial treaties, granting one another quotas if they so desire, and treating the other countries on an equal footing in respect of one another. We have adopted this principle in our commercial agreements with various countries.

With regard to credit, we should naturally not overlook either the fact that the lenders require guarantees of their state of mind, but, in order to complete our examination of this problem, we must add to these factors the psychology of the borrowing country, its interests and its desire not to hamper its normal development. It is therefore desirable that, while bearing such factors in mind, we should prepare various types of contracts.
for international loans. In this way, we shall avoid raising obstacles caused on the one hand by the national susceptibilities of the borrowing countries, and on the other by the anxiety of the lending countries to have guarantees. Such equivalence will facilitate the solution of the problem.

The question of the formation of international cartels should be considered from the points of view of production and distribution. It should be noted, however, that countries whose economic system is not organised in this way will naturally bring about equivalence and ensure rapid development by the application of a State policy to certain branches of production. This would in my view greatly facilitate the realisation of the ideas which have been expressed in this connection.

The Turkish delegation recognises the importance of European regional co-operation, but does not exclude the possibility of world co-operation in an atmosphere of peace and tranquillity. Such continuous collaboration, which would level out the present difficulties and create unity of interest between the countries, would be the most solid foundation for peace, that magnificent ideal for which it is our duty to work, and the success of which alone can compensate for our sufferings during the present crisis.

In conclusion, I have special pleasure in quoting one item of the programme of the party which is at present in power in Turkey. It affirms the following principle: peace at home and peace abroad.

M. BEELAERTS VAN BLOKLANDO (Netherlands) [Translation]. It is almost superfluous for me to say with what interest I have listened to the remarkable speeches of several of our colleagues on subjects which are of particular interest to my country, in view of the great importance which it attaches to world commerce and international trade.

It is almost superfluous for me to say with what interest I have listened to the remarkable speeches of several of our colleagues on subjects which are of particular interest to my country, in view of the great importance which it attaches to world commerce and international trade.

Two points should be borne in mind. I consider that the Governments, and consequently the League of Nations, are called upon rather to supervise the working of such agreements in order to see that they are not detrimental to the public interest than to take an active part in bringing them about. In the second place, and here I am in complete agreement with my Belgian colleague, if the heavy industries and certain others which may be
assimilated to it are suitable subjects, should the need arise, for industrial agreements, that is not the case as regards articles of high quality. In view of the position of the Netherlands in which the latter industry is predominant, I am compelled to make a reservation in regard to industrial agreements. The Netherlands Government would be unable to accept measures likely to be detrimental to an important branch of its economic activity which, owing to a policy of freedom whereby conditions advantageous to production are guaranteed, has developed satisfactorily without artificial means.

I will confine myself to these observations, and once again assure the Commission that my Government will actively co-operate in the task before us, which calls for a rapid and efficacious solution.

*The continuation of the discussion was adjourned to the next meeting.*

**FIFTH MEETING (PUBLIC)**

*Held on Tuesday, May 19th, 1931, at 4 p.m.*

**Chairman:** M. Aristide Briand (France)

25. **Economic Questions: The World Economic Crisis in so far as it concerns the Community of European States: General Discussion (continuation).**

M. MUNCH (Denmark) [Translation]. — The discussion to which we have listened during the last few days has shown a very real appreciation of the gravity of the economic crisis and the need for finding remedies for that crisis. We in Denmark share this feeling.

Denmark is an agricultural country, and it, like other countries, has been going through a serious crisis as a result of the fall in the price of the animal products which it exports. We are extremely interested in the prosperity of the countries to which we sell our products, and we are firmly convinced that the economic conditions in different countries are so closely connected that it is extremely important to all of us that trade should not suffer in any part of our continent. I have listened therefore with very great interest to the statements concerning the numerous remedies that have been proposed here.

I imagine we shall all agree that we shall have to devote closer study — perhaps in a sub-committee, but in any case in the various administrations concerned — to most of the proposals that have been made. But I should like first to submit a few observations, from the point of view of a country which practices a commercial policy of a definitely liberal character, on certain of those proposals.

In the first place there is the question of preferential duties. Every year, after September is past, this question comes up in the economic discussions of the League of Nations. The peasants of Denmark, who are profoundly convinced that free trade is the best means of creating a really well-organised agricultural system, and have carried their own agriculture under that system to a very high state of development, are not enthusiastic supporters of a preferential system. It is possible, however, that in some countries the situation is such that the preferential system may be temporarily useful or even necessary.

So far as cereals are concerned, we have no direct interest in preferential duties. It is true that we import into Denmark a rather large quantity of cereals; but we cannot grant preferential duties because we have no duties of any kind on the import of cereals. We regularly import a certain amount of cereals from the countries which have been mentioned here, in particular Poland and Roumania; and it is possible that the adoption of a preferential system by some countries in respect of cereals from certain exporting countries may give rise to difficulties in connection with our own imports of cereals from those countries. But that is not a decisive factor determining our attitude.

The vital point in our view, if the system is to be put in practice, is to maintain the principles enunciated by M. François-Poncet in regard to the most-favoured-nation clause — that is to say, to treat the present case as the exception which proves the rule. But — pace that proverb — there is always the risk of exceptions becoming precedents and establishing a new rule. The only preservative against that unpleasant development, so far as any preservative is possible at all, is, I think, to stipulate explicitly and in the clearest terms that no preferential system may ever be applied without the approval of all the countries enjoying rights based on most-favoured-nation treatment.

We come next to the question of cartels which has been discussed for some years past by conferences and commissions of the League of Nations, and is the subject of an interesting exposition in the French memorandum.

I do not know whether it is really possible for Governments to do much in support of these big industrial organisations. Perhaps they can do something by means of a system of preferential tariffs: but in that case we shall be faced with the same difficulties as in all other cases where the attempt is made to establish preferential systems. What is certain is that, if States lend their support to cartels, they are thereby assuming responsibility for the