economic policy of those organisations. This means that it will be absolutely essential to create some concurrent system of international supervision which will be both effective and impartial. It is only natural that a country like ours, which is without the raw materials required by its industry, should display a certain uneasiness as to the consequence of the development of big international industrial combines. On this subject we concur entirely with the point of view expressed yesterday by the representative of the Netherlands.

Our attitude in regard to these understandings is very accurately expressed in the report of the Economic Conference of 1927. In common with that Conference we recognise that, when these understandings are conceived on broad lines and governed by considerations of the general interest, they may help to give the workers greater stability of employment and lower prices for the consumer. But we also agree with the Conference in thinking that these undertakings when not governed by considerations of the public interest may block technical progress and entail great dangers for consumers and workers alike.

One favourite practice of these combines is the restriction of production. I recognise that in certain abnormal cases restriction of this kind may be necessary: but it is always very dangerous. The present crisis may be regarded as due either to over-production or to under-consumption. I myself think the latter is the truer explanation. The present situation is truly absurd. The technicians have done their work, and we have reached a point at which we are able without difficulty to produce all the commodities that mankind requires. But at the same time it appears impossible to arrange for the distribution of these commodities in such a way as to meet the requirements of consumers. The stocks accumulate, while millions and millions are without the products they require. If the purchasing power of the great masses could be appreciably increased, there would be no crisis. But restriction of production may itself very seriously affect purchasing power. It may lead both to increase of unemployment and to a rise in prices, and to that extent weaken still further the purchasing power of the peoples.

In any case, if we wish to be sure that these industrial understandings take the public interest into account, it is essential that they should be effectively supervised. The Economic Conference recommended supervision of this kind in the case of international industrial understandings. It emphasised the necessity for wide publicity in regard to the character and activities of these bodies. The Inter-Parliamentary Union, during its Conference last year in London, passed a resolution in the same sense. It recognised that these organisations may be useful in certain cases, but added that, in view of the “harmful results which they may have both from the standpoint of the general interest and from the standpoint of States, they should be regulated”. It recommended the organisation of the requisite publicity and supervision by the League of Nations. I hope the sub-committee, which I presume we shall appoint, will be guided by the principles asserted by the Economic Conference and by the Inter-Parliamentary Union.

As regards the general idea of a system of Customs unions embracing gradually the whole of Europe, everything depends, in my opinion, on the character of such unions. A Customs union between two, three, four or five States may be concluded either by increasing the different tariffs to the level of the country with the highest tariff or by reducing them to the level of the country with the lowest. The consequences in the two cases will be very different.

It goes without saying that my Government supports the idea put forward by the Italian Government that the Commercial Convention which we signed and ratified should be revived. If such revival is not possible, we hope it will at least be possible to accept the proposals put forward by Belgium and Sweden and resume the efforts made with a view to establishing a more stable situation in regard to Customs policy than that which has prevailed in Europe in recent years.

Mr. Henderson (Great Britain). — We have now been discussing this question for three days. Our discussion has made it plain that the Continent of Europe, in common with the rest of the world, is passing through an economic crisis of greater severity than any experienced in modern times. It has revealed to us more convincingly than ever that the depression both of agriculture and of industry has been comprehensive in its scope and appalling in its consequences.

Consider the tragic paradox of the present year. Europe — this Europe which we here represent — is in danger of general paralysis. In our countries unemployment, poverty, actual starvation, are present, and yet, while men walk the streets and cannot find work to earn bread for their hungry families at home, the cornbins of Europe and of the countries overseas are bursting with food that cannot be sold. Our potential power to create wealth is greater than it has ever been. Capital, by countless millions, is lying idle in our banks waiting to be used. There are hundreds of millions of people in the world whose demands, not for comforts or luxuries, but for the strict necessities of life, are not, at the present time, satisfied in anything like reasonable measure, and so far we have been unable to find the means to break this vicious circle of disaster.

It is with the problem of how to break that circle that our Committee is face to face. I am hoping that from now onwards we shall face it with resolute determination to find an issue, that we shall set on one side every consideration of amour-propre or of prestige, that we shall concentrate attention on the real economic interests of the simple men and
women whom we represent; that we shall be resolute to work together and by constructive co-operation to reach a solution that shall be acceptable to us all. If we are to do that, we must probe to the causes that have brought us to our present pass. They are, as M. Litvinoff said yesterday, many and various. As he said, the after-shock of the world war is in great part responsible for our present situation. Armaments, beyond all question, are a contributory cause: an atmosphere of international security, of freedom from the fear of war, is the first condition of economic prosperity. For that reason, I agree with President Hoover that the success of the Disarmament Conference next year would do very much to bring the world crisis to an end.

I do not agree with M. Litvinoff that warlike plans against the Soviet Union are a factor in the present unrest. I ask him to banish from his mind any thought that the Members of the League are plotting war against his people. I assure him that we are hoping for increased peaceful intercourse and trade between his country and ours, and we shall welcome all the help that he can give us to secure an atmosphere of confidence and trust, based upon the mutual observance of our international obligations.

But, as he said, the causes of the present situation are many and various. The over-expansion of certain industries during the war, the over-expansion of the supplies of certain raw materials, the partial dislocation of the gold standard system, the fall in the purchasing power of silver and other allied monetary consequences — I need not trouble you with the recital of all the various factors which economists in recent months have been discussing. But I ask you to note that none of these different causes can be dealt with by the national action which any one of our Governments can take alone. Each of us is impotent to control them if we try to act alone. Not only so, but there is no sectional solution, no action by any regional group which can do very much to help the general solution. Even those like Dr. Curtius who have proposed a regional action recognise that such regional action can only have a limited effect, and indeed have only put it forward because they hoped that it might lead to something wider.

It follows that if anything practical is to be accomplished, if our deliberations here are not to remain mere empty words, if we are not simply to drift on to disasters—perhaps far graver than those which have already overtaken us—we must act together for our common good. I must say in the plainest language, that I believe it should be possible for this Commission to find a programme of concerted international action, through the machinery of the League, which will help to remedy our present situation. I know only too well the difficulties involved, but I know too that, if we here, responsible Ministers in this room, desire to overcome them, we can do so.

In recent months, there has been a kind of defeatism abroad, regarding the prospects of international economic co-operation through the League. Such defeatism seems to me absurd. From the beginning of its work there has been nothing in its record more strikingly successful than the economic and financial work which the League has undertaken. The Brussels Conference, the World Economic Conference, the financial reconstruction schemes in Austria and elsewhere, the refugee settlement schemes, the work of the League Committee and Conferences on transit and communications, the other work of the Economic and Financial Committees, right down to the agricultural credits scheme, which has just been completed—at every stage there have been remarkable successes which, taken as a whole, have brought immense benefits to the countries of the European continent which we represent.

Even in regard to barriers to international trade, the work of the League has not been entirely fruitless, though progress has been disappointing. Many of the post-war discriminations and restrictions on trade have been swept away and an increasing measure of liberty has been allowed. The present crisis has brought home to us anew the absolute necessity for concerted economic action. In many countries public opinion has begun to understand the useless suffering that economic nationalism has caused. I am happy to know that there are other Governments which share this view.

Various proposals—some of them ambitious—for such concerted international action have been put forward. We have had suggestions from the French, the German, the Italian, the Belgian, the Netherlands, the Russian and a number of other delegations. For my part, and speaking for the Government I represent, I may say that we shall examine all these proposals with the sympathy which they deserve. The most comprehensive plan which has been laid before us was that of the French delegation. I was glad to note that M. François-Poncet, in his admirable speech, told us that the scheme which he outlined was not a rigid proposition to be accepted or rejected as it stands. I would reply to him by saying that while there are some parts of his scheme about which I now feel difficulty, there is no part of it to which we will not give our fullest and most sympathetic consideration.

It may be that his proposals for the agricultural countries may be facilitated by the discussions of the Conference of the wheat-exporting countries now meeting in London.

With regard to the financial proposals which the French representative laid before us, I should like to say at once that we heartily endorse the general principles which he put forward. The greater part of Europe is calling urgently for credit, but the countries which
have surplus resources seem more and more reluctant to lend; thus the waters which should irrigate the plains of Europe are dammed up in unproductive reservoirs.

We are hoping that this week a definite result may be reached on the Agricultural Credits scheme which the French delegation proposed at the last session of this Committee. We hope that measures may be evolved which will promote the flow of credit in other directions for the benefit of Europe as a whole. We hope that, before we separate, we may have agreed upon the means by which these principles shall be given prompt and fruitful attention.

I also welcome very warmly what the French representative said on the subject of tariff reductions. This is an aspect of our present problem to which my Government attach a great importance. Everyone remembers the proposals put forward eighteen months ago. We are convinced that there can be no remedy for the present situation unless the Governments here assembled are prepared to reach a practical result in this domain. Nothing can come of the credit plans in an atmosphere which is poisoned by narrow ideas of economic nationalism.

I say without hesitation that the essential condition of our success is to end what M. Bénes has so rightly called "the present state of economic war". What is happening in Europe to-day? Nations are striving by every means to keep out foreign goods. By so doing they are impoverishing both their own and other nations. This policy is madness. It is a wild attempt to reverse the historical process by which the international exchange of wealth has raised the standards of living of all our peoples. It is a fight against the great economic forces of the age. Every year shows more clearly that men can produce far greater wealth by far less labour if their production is on a greater scale.

Meanwhile, the principal creditor countries have insisted on the payment of the debts which are due to them and refused to accept the goods which the debtor countries have to offer. They shut their eyes to the fact that international trade must take the form of barter. A debtor must be allowed to sell his products if he is to purchase other people's goods or to pay his debts. But instead of this the creditor countries have insisted on payment not in goods but in gold, and the consequent scramble for gold has largely contributed to the recent catastrophic fall in prices.

This sequence — namely, tariffs and payments of debts and the scramble for gold— is sapping the very foundations of our economic system. Everywhere the agricultural countries, the primary producers, are being forced into bankruptcy, because they are asked to pay in the gold that they have not instead of in the goods that they have. The industrial countries in their turn find that they can no longer sell their manufactures and are therefore forced to maintain, publicly or privately, millions of their people in a state of unemployment.

Europe cannot afford millions of unemployed. The standards of life of her peoples do not admit of a further deterioration. Everywhere the cry is going up, "How long?". We have trodden long enough this path which is leading us to disaster. The time has come to break the vicious circle. We must cease to make economic impossibilities into political necessities.

As I said, my Government has repeatedly brought this question before the League. Some of our people have become discouraged. If the rest of the world, they ask, persists in this madness, can we maintain our sanity? If such counsels should prevail, it might mean an era of economic conflict and dislocation, more desperate than anything we have yet seen, and the last state of Europe would be hard to imagine. Before it is too late, we call once more for a change of policy, for a reduction of tariffs, for the abolition of restrictions on trade.

As I make this appeal, I am glad to recognise the handsome assurances which are given to us by the Belgian Minister for Foreign Affairs and the French representative. We want to press forward with our present negotiations with them and other Powers; we want to start negotiations on an even wider basis; we will consider any other suggestion that may be made for guarantees to international commerce.

I hope the Committee will not think that by stressing this question of tariff barriers we are needlessly emphasising again plans which have already been put forward. We believe,
indeed, that those plans may still have their full result if our Governments will only accept the necessity of close economic co-operation as the guiding principle.

There are, of course, strong vested interests to be faced, but each Government must frame its policy by reference to the needs of its people as a whole and not to the interests of sectional industries. We must develop the will to succeed. I repeat again that, in the negotiations on which we are about to start, we are prepared to consider on its merits any and every proposal that may be put forward.

We shall enter into these negotiations with a determination to get results — results which will help us to solve the grave economic and political crisis by which we are faced. We shall come to these negotiations with an open mind, persuaded that we must all of us make concessions to reach the agreement which our common interest demands. It is plain that we cannot at this present session reach decisions on the plans put forward. We must determine therefore the procedure to be followed, and I want to suggest the creation of a sub-committee which can lay before us proposals to this end.

Before I suggest a resolution for this purpose, may I say one final word?

We are faced to-day by an international dispute — the first dispute in which the great Powers of our continent have been divided before the League. Can we not here resolve that we shall reach a common plan by which agreement among us shall be restored?

Twelve years ago our countries were at war. Our sons were fighting on the field of battle. Our peoples were divided by a gulf of hatred and suspicion which many thought it would take us a generation to remove. In these last few years we have begun to re-establish a mutual understanding. For that result we owe an undying debt of gratitude to the great leaders of the French and German peoples. This understanding between nations which so lately were engulfed in war is the most precious asset of our continent to-day. Let us enter therefore on the negotiations that are before us with a resolute determination to find a common plan, and so let us finally establish that understanding on foundations that no future differences between us can ever shake.

In conclusion, I propose the following draft resolution:

"The Commission of Enquiry decides to establish a sub-committee to recommend the procedure to be adopted for the preparation of definite practical proposals in the light of the various schemes which have been submitted to it.

"This sub-committee should meet forthwith and present its report to the Commission of Enquiry to-morrow or at latest on the the following day."

M. Bjoernsson (Iceland) [Translation]. — Before this general discussion is closed I should like, on this occasion when Iceland is represented for the first time here at Geneva, to state on behalf of my Government how much it appreciates the invitation to take part in the work of this Commission and to thank our Chairman for the cordial welcome he has given me as the representative of Iceland.

My Government follows with increasing interest the great work carried out by the League for the benefit of mankind, and sees in the fact that the invitation to come here has been extended to European countries which have not as yet become Members of the League, a further proof of the breadth of view which inspires this Commission and the League.

M. Zaleski (Poland) [Translation]. — Our Chairman invited us in his opening speech to consider together in detail and in frank discussion the best means of overcoming the difficulties with which the economic life of all the European peoples is at present confronted. I propose to respond to his appeal and will endeavour to state my Government's attitude in regard to the problems at present arising in the matter of European economic co-operation.

Several previous speakers have noted that the efforts made in the direction of economic rapprochement in the form of multilateral agreements have not yielded the results which were anticipated, and that the work of the League of Nations in this field has not been very successful. There is no doubt some truth in this contention: but the Chairman was right in saying that we should not draw too pessimistic conclusions from the experience of the past or allow ourselves to be discouraged for the future. I was very glad to hear that Mr. Henderson was of the same opinion.

The underlying reasons for the failure of certain efforts made up to the present require careful consideration. It seems to me that the main reason is to be found in the one-sided nature of our economic efforts. We have been inclined to regard the exaggerated protection of industrial production as the sole cause of the economic crisis, and from this narrow standpoint have confined our search for remedies for the current economic difficulties to the cultivation of understandings with a view to the reduction of industrial tariffs.
I am far from denying the importance of any measures for the stabilisation or reduction of Customs barriers. I may remind the Commission that Poland was one of the first countries to accept the proposal made by Great Britain at the time of the Conference for Concerted Economic Action for negotiations as to the best means of facilitating international trade. The attitude of my Government, which still appreciates to the full the idea put forward by Great Britain, is based on its high appreciation of the liberal policy of Great Britain in respect of all imports including imports of agricultural products.

But, unhappily, the liberal policy of Great Britain has not been adopted by certain other countries which constitute important markets for agricultural products, and the condition of agriculture is becoming steadily worse. The policy of prohibitions to the entry of the surplus production of certain European countries coupled with the continued increase of Customs duties on agricultural products, of which the level has now reached an exorbitant height, has done much to provoke the crisis in agricultural production, which is one of the most important branches of European production as a whole.

The economic situation has undergone great changes. Territories which for decades past have been markets for agricultural products are beginning themselves to export certain of those products. The result is seen in movements of prices which in the case of cereals have amounted in Europe to as much as 400 per cent — a development for which there is no precedent. The consequences of this state of things have quickly made themselves felt. The general economic crisis, coinciding with the agricultural crisis, has been aggravated to a formidable extent.

The representatives of the European agricultural countries have long since pointed out that there is no means of effectively combating the economic crisis without making adequate provision for the vital requirements of the agricultural countries. Such action need not exclude a moderate amount of tariff protection. The agricultural countries of Europe have always taken the view that there can be no general improvement in the European economic situation, unless the purchasing power of the population of the agricultural countries (numbering more than 100 million inhabitants) is increased. But it is impossible to increase their purchasing power unless their production is assured of remunerative prices. In the course of last year eight agricultural countries in Central and Eastern Europe held a number of conferences and were successful in establishing a common programme on a number of essential points as a means of remedying the difficulties of the present crisis.

The importance of the agricultural problem has only recently been appreciated to its true extent or given its proper place in the European economic programme. The desiderata of the agricultural countries are now, it must be admitted, the object of a better understanding, particularly so far as this Commission is concerned. One of the main causes of the failure of international economic effort has been the disproportion in the treatment of industrial and agricultural questions. The readjustment of this fundamental error is the condition precedent to any final success for the work on which we are at present engaged or any future work of the same kind.

I should like also to call attention to the unjustifiable difficulties which stand in the way of the free transport of live-stock products across the territory of certain countries. Those who deplore the difficulties created by the existence of the numerous Customs frontiers should, I think, welcome warmly the idea of concluding veterinary agreements as a highly effective means of doing away with the harmful effects of these frontiers in so far as the circulation of products of animal origin are concerned.

In the discussions which have taken place two new lines of action have been proposed. One was the conclusion of regional Customs unions which, it is suggested, should ultimately lead to more general agreements. The other system of combating the economic crisis looks to the conclusion of general agreements on a European scale.

For my part, I cannot share the view of those who advocate the former system. I cannot believe that it is capable of facilitating a general European understanding. On the contrary, the conclusion of regional Customs unions can only render more general agreement more difficult, if not impossible.

So long as it was only a question of bilateral agreements on the basis of most-favoured-nation treatment, there was a complete assurance that such agreements would not contain elements calculated to injure the interests of third parties or to go counter to the fundamental principles of European co-operation. But as soon as it becomes a question of agreements which go a long way beyond the most-favoured-nation clause, as Customs unions do, there is reason to fear that, under present circumstances, they may lead to serious complications.

The free entry of a product of one contracting party into the market of another party necessarily means the elimination from the market in question of the same product of a third party, particularly where the country with which the Customs union is concluded is the chief source of supply. In such a case the necessity of avoiding grave complications for the economic organisation of the importing State will undoubtedly lead to an increase of Customs tariffs as against third parties, rather than to any reduction of tariffs.

Customs unions will create privileged areas of expansion for the production of particular countries and will lead to a reaction on the part of other States in the shape of the establishment of other economic groupings with a view to compensation for the injury thus occasioned.

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Customs unions will create privileged areas of expansion for the production of particular countries and will lead to a reaction on the part of other States in the shape of the establishment of other economic groupings with a view to compensation for the injury thus occasioned.
I think the States which advocate regional Customs unions also realise the grave economic upheavals to which Europe would be exposed under present conditions as a result of the inevitable rivalry between the various unions. As a means of guarding against such dangers, they have stated their readiness at any moment to undertake negotiations with isolated States or groups of States with a view to extending the application of their Customs union. I do not question the sincerity of the invitation; but I regret to say I am convinced it cannot be realised in practice. The States invited to negotiate would find themselves confronted with accomplished facts and consequently would be at a disadvantage as compared with the States issuing the invitation. The experience of recent years, moreover, justifies in my mind a certain pessimism. Even the negotiation of bilateral agreements between certain European countries in the shape of ordinary commercial treaties has proved impossible up to the present.

I believe economic co-operation can and should proceed in two directions.

In the first place, there is the method of multilateral negotiations on the basis of the plan put forward some days ago with great clearness by M. François-Poncet. This plan has a number of important features which are capable of realisation, taking into account the special position of Austria and certain other countries. The plan should be supplemented by action in regard to the problem of the trade and transit of live-stock — a point of capital importance for agricultural countries. The practical steps required in this connection have frequently been explained, and I need not recall them now. I confine myself to reserving judgment on that account. The experience of recent years, moreover, may be of interest to us all, and it is for this reason that I think any proposal or plan which seeks to subdivide economic to political considerations should be condemned.

Secondly, economic co-operation can also proceed along the line of bilateral agreements based on generally recognised principles. In this connection, I shall draw attention to the Italian representative who has emphasised the importance of such agreements. Bilateral agreements of this kind are valuable, not only to the contracting parties but also to third countries.

I want also to draw attention to a misunderstanding in regard to the interpretation of the principles of regionalism. The understanding and co-operation of eight agricultural countries has been quoted as an example of the practical application of the regional principle. Co-operation in this case is free from the defects to be observed in other regional understandings, and falls entirely (as the eleventh Assembly of the League recognised) within the limits of the economic work of the League, and does no injury to the interests of third countries. The regional agreement of Oslo, to which Poland is not a party, is also innocuous.

Much has been said with regard to the distinction between the economic and the political side of regional understandings or Customs unions. This purely academic distinction cannot survive the test of experience, as M. Grandi pointed out to the Commission yesterday with great effect. Every country is compelled to bring its policy into agreement with its economic requirements. The real danger arises when the relation between the two is inverted; and it is for this reason that I think any proposal or plan which seeks to subordinate economic to political considerations should be condemned.

I agree with the Chairman that no common action is possible except in an atmosphere of mutual confidence and good faith. If this preliminary condition is not realised, all our efforts will remain barren and useless. A common endeavour for a general relaxation of tension appears to be the principal requirement at the present moment.

Before concluding, I am anxious to emphasise the conciliatory character of the speech delivered by the representative of the Soviet Union. It is well known that the reappearance of the Soviet Republic in the markets of the world has led to difficulties in the world's trade and lively anxiety in consequence in business circles, which in its turn has given rise to a certain alarm on the part of the Soviet Press. Under these circumstances M. Litvinoff's statement is well calculated to remove a number of misunderstandings as to the part which the Soviet Union is at present playing and proposes to play in the future in the world's trade. While reserving, on behalf of my Government, the right to state our attitude in due course as to the draft protocol submitted by the Soviet delegation (Annex 7), I am anxious to state that the principles enunciated in M. Litvinoff's speech appear to afford a possible basis of concerted economic co-operation between the Soviet Union and the other European countries. The attitude of the Soviet delegation at the Conference in London will, I hope, be such as to facilitate the conclusion of an agreement with regard to the trade in cereals.

After Mr. Henderson's statement, which I for my part desire to reiterate with the utmost possible emphasis, I am sure M. Litvinoff will return to his country convinced that there is nowhere any plan for coalition against the Soviet Union and that all rumours to that effect are ridiculous and unfounded. No European Government, I am sure, thinks of constructing coalitions against the Union. If M. Litvinoff returns with that conviction, his visit to Geneva will be of great value for the development of peaceful co-operation between the nations.

M. Beneš (Czechoslovakia) [Translation]. — The long discussion in this Commission and the numerous interesting speeches, full of ideas and of facts, to which we have listened are sufficient reason for my not wearying you further with any lengthy explanation of the Czechoslovak Government's attitude.

I have had occasion to speak at length in the Czechoslovak Parliament on all the questions on the agenda of our Commission. I am happy to find that my ideas are at one with those of many of my colleagues. I am glad, because I see in this a proof that, beyond...
frontier barriers and despite the special interests of particular States, we are being compelled as a whole by current conditions in Europe to think along the same lines and in many cases to seek the same solutions. I go so far as to say that we are in process of discovering that the economic crisis is so profound and so general that we should be on the road to what may prove a disaster for all our peoples, if we had not the courage to make a common effort, in a spirit of genuine and sincere co-operation, to take immediate steps first to limit the crisis and then to find a solution for it — which object we may attain step by step if we are prepared for unceasing, practical and effective work, but work which must necessarily be continued over a long period.

It would take us too long to examine the causes of the present crisis in their entirety. There are two kinds of economic crises. Some are external and temporary in character, and their usual symptoms are well known: these are cyclical crises. Others are organic in character like the present crisis, which is due to the profound and fundamental changes in the economic, social and political system of the present post-war period and the social structure of the present day as a whole. It is wrong to shut our eyes to the necessity on the years to come of going to the root of the evil and seeking the means of putting an end to these organic causes of the world’s economic crises. They show us clearly that we are passing through a great period of transition in the whole economic life of Europe.

The very fact of the meeting of this Commission, a body for which there is no precedent, is a proof that this is so. Much attention is now being given to the question of what are the main causes of the crisis, in particular, the structural and organic causes. The League of Nations has set up a Special Committee of Experts with a Swedish chairman, M. Olin, at its head, which will undoubtedly throw light on these problems. The Director of the International Labour Office has also prepared for our use a study of the subject which is of the utmost value.

One reason for the world crisis, it is generally admitted, is the over-production in certain regions and in certain branches, particularly in the case of agriculture. Another is the rationalisation of production, the effects of which may be compared with the famous industrial revolution due to the introduction of machinery in the last century. The increase of industrial production as a result of rationalisation and technical progress is more rapid than the consuming capacity of mankind. The consequence is over-production leading to crisis, unemployment, bitter competition and the struggle for markets, exaggerated protectionism, and in a word the appalling state of economic war in which we are struggling to-day.

The policy of high protection and the closing of great world markets like Russia, India and China have still further increased the disproportion between production and consumption. The settlement of war debts and the relations between America and Europe are another factor in the crisis. Lastly, one of the chief factors of the economic crisis or of its continuance is the political anxiety which prevails and the great conflicts which it occasions.

These political conflicts principally affect Central and Eastern Europe, and that in two ways. In the first place it is this part of Europe which has been the scene of the principal political changes resulting from the war. Some ten new States have arisen on the ruins of three great monarchies with all the economic difficulties characteristic of young and new countries, with the inexperience of new nations in certain cases and in other cases with feelings of discontent or craving for expansion and a sense of youthful ardour. All this has made havoc of the economic system and of the economic, commercial and financial relations of Europe.

It is the consequences of these developments which we have to-day to face; and it is to these consequences that we give the general name of European and world economic crisis.

It follows that the principal factors of the crisis — I have not mentioned them all — are general in character, worldwide and organic. It is for this reason that the crisis is so universal and so deep-rooted. It is this also which makes it so difficult to struggle against it. The struggle has also to be general, international, and indeed worldwide; it has to be, if I may use the expression, structural — that is to say, it has to go to the root of the trouble — and the means of so doing is to be found in international co-operation or at any rate pan-European co-operation. That is why it appears on the agenda of this European Commission. It goes without saying that the process must necessarily be of relatively long duration.

I do not wish to dilate on these theoretical and general considerations. I come at once to the practical proposals before the Commission.

Remedies for the economic crisis have been proposed to us, which I may group together for convenience under three headings: (a) System of Customs unions; (b) System of agricultural preference and industrial understandings coupled with a Customs truce; (c) System of special bilateral treaties.

I do not wish to say overmuch with regard to the system of Customs unions. Dr. Curtius himself yesterday told the Council that Customs unions are not a panacea for every ill. I go very much farther than Dr. Curtius. I think all generalisations are inaccurate and dangerous in any political or economic question, and particularly in the case of Customs unions. Each case is different from the others and each should be considered separately.

I find also that the question of Customs unions is primarily a political question, whether it is intended as such or not; and the consequences of this should be recognised. Secondly,
if an economic union once concluded may benefit some, it may ruin others. Thirdly, the result of such a union in the present state of Europe can only be to provoke the formation of a second rival group, the result of which must be conflict between the rival groups and economic war.

The evident conclusion of all this is that we must come to the single logical solution, which is the foundation of our Commission's programme and was, indeed, implicit in M. Briand's memorandum of May 15th, 1930. But preparatory work is necessary first and this needs time. Any hasty experiment, any attempt to force the hands of others, would inevitably endanger the entire programme. I proclaim in all frankness my conviction that Europe must develop along these lines, and that relatively soon, and that the policy which, while remaining as liberal as possible, nevertheless affords the possibility of reaching a higher level of economic and even agricultural countries the conviction that Europe must develop along these lines, and that relatively soon, and that the policy which, while remaining as liberal as possible, nevertheless affords the place of the exaggerated protectionism which at present prevails in the majority of European States. Stabilisation of tariffs should be the first step, because it is more important, especially at the outset, even than the reduction of tariffs which Mr. Henderson has so warmly recommended. Reduction will come later.

It is only by directing our efforts along the lines of progressive economic equalisation as between the European countries that we shall make possible the real preparation for a genuine European Customs union and, after it, the actual transition to such a union. To endeavour to induce such action immediately by means of a union accessible to everyone appears to me simply impossible for the reason that, under present economic conditions, and in the complete absence of all the preparation which is required for such an undertaking, it would mean in the case of certain States heading direct for disaster.

This is my attitude in considering the French Government's plan and the Italian proposals, and I am convinced that it is the right road under present circumstances. There is no general formula which will lead us out of the crisis. There is no magic ring by means of which we can cure Europe. We require a continuous and progressive effort in the shape of practical measures of a general character but grouped in successive categories, as the French plan proposes: and these should be supplemented as occasion requires by other measures which experience will undoubtedly force us to adopt at future meetings.

We shall undoubtedly be compelled at subsequent meetings of our Commission to consider, side by side with the question of industrial undertakings, the problem of unemployment in the light of such international considerations — for they have already ceased to be purely national — as the reduction of the hours of labour and the rigorous application of international conventions on the subject. I do not wish to increase our work at this session, and I do not raise the problem at the moment; but it will arise of itself in due course.

Returning to the plan of the French Government as submitted by M. François-Poncet for a solution of the agricultural crisis by means of preferences, I wish to state that the Czechoslovak Government is glad to accept the principle on which the plan is based. The essence of the plan is a system of Customs preferences for cereals and cereal products. The first essential is that it should be applied in a practical, prompt and effective form.

The best means to this end, I believe, will be found in the form of bilateral treaties leaving the most-favoured-nation clause intact and respecting the preferential system rigidly to the agricultural products in question. I am anxious to emphasise my view that no exceptions should be made to the most-favoured-nation clause in the industrial sphere in the sense of giving such other States as enjoy the benefits of most-favoured-nation treatment from any special advantages of whatever kind. Each State should be free to choose itself, in the light of its own internal requirements, the best form of applying agricultural preferences to its territory.

States coming under the system of agricultural preference should be compelled to inform the Committee, for which provision is made in the French Government's plan, of all the preferential benefits granted, even if granted as a result of bilateral treaties. M. François-Poncet laid stress on the desirability of making provision for such changes in his practical proposals — particularly as regards technical details — as may be found necessary; I therefore suggest this general arrangement as being highly elastic and calculated to satisfy everyone.

As regards the best means of mitigating the crisis in so far as it concerns industry, my Government is prepared to consider any proposals for the reduction or stabilisation of Customs dues and to co-operate in any action taken to that end. Further, it believes, in common with the French and Italian Governments, that multilateral action with a view to a Customs truce is the natural and effective complement of bilateral action. I am authorised by my Government to inform the Commission that the Commercial Convention for the Customs truce has already passed the Czechoslovak Chamber and will now proceed on the normal parliamentary course and will shortly be ratified.

My Government thinks, for this reason, that it would be desirable to take fresh steps in this matter, bearing in mind such circumstances as may render necessary or desirable certain changes in the form of the Commercial Convention of March 24th, 1930. It may, for example, be necessary to adapt the Convention to such measures as may subsequently be taken for putting into force the system of preferences: but this need not prevent continued action along the lines already followed with a view to accelerating the deposit of such ratifications as have not yet been received.
My Government agrees with the French Government’s view that it would be wrong to attribute the cause of the present crisis solely to the increase of Customs duties, and that this increase is rather an effect than a cause of the crisis, as recent events have shown. My Government accordingly considers it necessary to readjust the machinery of production and distribution.

The French Government regards industrial understandings as a very important means of effecting such readjustment. The Czechoslovak Government is prepared carefully to study these problems: but it is anxious to draw attention to the complexity of these questions and the difficulties to which they give rise, some of which were pointed out by M. Grandi in his speech. Difficulties would arise, for example, if industrial understandings in the form of cartels were combined with regulations concerning Customs duties, since this would mean their transfer to the sphere of commercial policy. But these are details. We are in general agreement with M. François-Poncet.

The Czechoslovak Government welcomes undertakings which by developing the international organisation of credit are calculated to assist in improving economic conditions, particularly in the agricultural countries of Central and Eastern Europe. The plans of the French and Italian Governments contain a series of valuable suggestions which deserve serious consideration. My Government is prepared carefully to consider these problems and is prepared to vote immediately in favour of the agricultural credit proposals.

The Czechoslovak Government proposes to take an active part in the establishment of the International Agricultural Mortgage Credit Company, since it considers that the work of this Company will constitute a valuable means of giving prompt and effective assistance to agricultural production, particularly in States which suffer from a shortage of capital.

On the whole it considers — in common with eminent international specialists in financial questions — that the scheme of international credits is much more important than is generally believed.

The questions arising in connection with the special assistance to be given to Austria, to which M. François-Poncet referred, are of great importance and difficulty. My Government is not therefore opposed to a special committee being appointed to deal with these matters in all their aspects, though at the same time we would emphasise the importance to Austrian commercial relations with foreign countries of satisfactory bilateral treaties concluded on the basis of the most-favoured-nation clause so as to make it possible to trade on the basis of these treaties. My Government is fully aware of the economic difficulties of Austria, and it does not for that reason share the view that their main or sole cause is to be found in the field of commercial policy. We all have difficulties, and they are due to a variety of causes. But even on this point we are in general agreement with the French Government’s proposals.

The present situation in Europe is economically bad. The coming months will not pass without over-clouding or without difficulties. Future years may be better: but I repeat, it must not be forgotten that European economy is passing through a difficult period of transition and that we shall have considerable obstacles to surmount.

I think it is in any case essential that we should do at once what is absolutely necessary. It is indispensable to approve the principle of agricultural preference. The system of agricultural credit must be accepted. The work in regard to industrial understandings must be begun. The committee of experts which is to study the practical steps to be taken in connection with international industrial questions must be appointed. Above all, the resolution proposed by the Italian Government with regard to the Customs truce must be passed. That programme in itself comprises considerable achievements which should not be under-estimated. I am well aware that sceptics will not be satisfied: but it is our duty not to allow sceptics to hinder our progress.

In order to enable our current programme to be realised step by step until it terminates in the grand stage of European union, and so puts an end to the period of economic transition in Europe, we require two things. In the first place each one of us, when he returns to his own country after seeing here with his own eyes the real difficulties of Europe with which we are all confronted and afflicted, must work in his own country, and struggle if need be, for the ideas on which we generally find it easy to reach agreement at Geneva, but which it is very difficult to put into practice at home. National public opinion in all countries must realise the true international situation, and support us in the difficult task of European economic co-operation, without which European civilisation will indeed be in danger.

In the second place we who are here, the majority of us in the capacity of Foreign Ministers in our respective countries, realise better than anyone how impossible of accomplishment this economic co-operation is, if we do not secure at the outset some sort of international political truce. We are in a vicious circle. The crisis makes the politicians nervous, and the bad political situation in its turn aggravates the economic crisis and prevents its solution. But, if ever there was a moment favourable to the feeling
of European co-operation and to work in that spirit, it is the present moment. The Czechoslovak Government realises this and will do its duty accordingly.

M. Michalakopoulos (Greece) [Translation]. — I shall not recall the causes of the uneasiness which at present prevails in the European economic system. These causes have received attention at a number of conferences and international meetings, in special reviews, in the economic sections of the Press, in books and even at universities.

I must add that the peoples listen to what is said with a certain feeling of scepticism. Some years ago the economists were saying: "We are suffering from a crisis of under-production. There is only one remedy. We must work. We must produce." The peoples worked. They produced. To-day the economists are saying: "There is a crisis of over-production".

It has perhaps not been realised that the malady of the war was too severe to allow of its consequences being cured in a short time and without joint effort and co-operation. If the competent authorities to whom the peoples look as physicians remain with their arms crossed, the malady may prove fatal. That is why we should co-operate and exchange ideas, if we do not wish to inspire confusion and despair in the spirit of the peoples.

I have listened with the keenest interest to all that has been said. I admit that all the proposals which have been put forward contain very important elements which, if made to harmonise, may point the way to results much more practical than those obtained up to the present.

I think I may say that all the discussions taking place at our meetings for some time past have pointed towards a new system consisting in the establishment of certain Customs preferences between the peoples of Europe. No one fails to recognise the advantages of the most-favoured-nation clause: no one denies the services it has rendered up to the present. But the circumstances of the present time are exceptional, and exceptional circumstances call for exceptional remedies.

No one, of course, is blind to the difficulties to be overcome, the suspicions to be dispelled, the apprehensions to be allayed. The overseas peoples are afraid — the signs of this are already apparent — that a kind of "Little Entente" is about to be established in Europe, a sort of economic Monroe Doctrine. They are afraid that the European peoples, without going so far as actual exclusion, or contending that the European economic systems should be exclusively European, may set up a certain preference for European economic products. This idea gives rise to anxiety in the countries overseas. Is it altogether impossible to dispel this anxiety and to overcome these difficulties? My country does not believe so, partly because it is persuaded that in the end the overseas countries will realise that understanding between the European countries, by enriching each particular country, will end by profiting the agriculture and the industry of overseas countries, and partly because, if Europe is economically organised, it is easier to arrive at agreement, since it is easier to co-operate with a compact organisation than with separate units, some of which are strong and some weak.

I do not, therefore, think there is any ground for apprehension if a preferential system is established. All the proposals before us imply something of the kind or, at any rate, regard such a system as a necessity. My country is prepared to take part in discussions on these lines. It is prepared to adopt solutions capable of improving the present position which, it is impossible to deny, contains germs of social dangers.

I want to ask the Commission to give favourable consideration to a point which will form the subject of a proposal I shall have the honour to make. There has been talk of a certain harmonisation of the interests of industrial countries exporting industrial products with those of the agricultural countries with wheat surpluses. I think the term "wheat" should be taken in the widest sense as including all cereals. I should like to ask for equal consideration for other agricultural products. There are countries which have no wheat surplus, but have surpluses of other agricultural products. It is consequently natural and reasonable to give equal consideration to their interests, just as is done in the case of commercial interests between industrial countries.

The proposal I put before you is as follows:

"That the interests of agricultural countries with surpluses of products other than cereals should also be taken into consideration in studying the proposals submitted to the Commission."

I think this proposal is in accordance with the highest conceptions of justice, equality and solidarity which have always been the hallmark of meetings at Geneva.

M. Marinkovitch (Yugoslavia) [Translation]. — In his admirable speech Dr. Curtius gave as a reason for "construction from below" the fact that hitherto all efforts to arrive at a general solution and establish a general economic programme have failed. M. Briand replied that we should not be so quickly discouraged. I think that in the present instance M. Briand is right. At the same time it is desirable to avoid unduly frequent appeals to the courage of the nations and peoples. It is indeed high time to establish a general programme and to arrive at tangible results.

In my view, which I expressed in January last, the real reason why it has not been possible, up to the present, to do anything to enable us to make a rational beginning by constructing from below — which is essential — since, until we build simultaneously from above and below, we shall do nothing effective or practical — the real reason, I repeat,
why it has proved impossible to establish a general programme is the obstinacy which has too long prevailed and the persistent attachment of the industrial countries to a solution which they thought right and wanted to have adopted at whatever cost without being prepared to try any other.

Customs barriers have been treated as if they were the sole evil, and we have been told that the real remedy of the crisis was to be sought in the reduction of these barriers. We, the representatives of the exporting agricultural countries, know that this is not the case. We have learned from practical experience that this is not so. It is not the Customs barriers which stand in the way of agriculture. Even if certain European countries which protect their agriculture were to lower their tariffs or abolish them altogether, the only positive result would be the ruin of the agriculturists. It is clear therefore that for us the practical solution proposed is of no value whatever. So long as no other solution is put forward and there is no disposition to look for any other solution, there can be no result. We shall have courage, as M. Briand urges us to do. We shall continue to wait and look for a more tangible solution offering a prospect of results. But the solution which is proposed to us offers us no grounds for hope: and it is certain that, if the Commission of Enquiry for European Union once again fails to accomplish anything, we shall drift inevitably into the formation of those groups which we have every reason to fear.

Construction from below may prove satisfactory, as Dr. Curtius thinks: but it may also prove unsatisfactory. If it leads to the formation of highly powerful economic groups, these will inevitably find themselves confronted with one another, and conflict will result. It is possible that these groups may come to see that agreement is better than conflict and that unity will come out of them, as Dr. Curtius suggested. It is possible, I say: but I think it would be wise not to count too much on human wisdom. The other possible result — that is to say, conflict and perhaps catastrophe — is unfortunately much more probable.

The reduction of Customs tariffs which is urged upon us not only does not constitute any remedy for us but would tend to stabilise the present position, which we do not want, since it is based neither on goodwill nor on a conciliatory attitude.

Agricultural labour is at present paid four or five times less in our countries than industrial labour, and this is a situation which cannot be tolerated. It is obvious that the beati possidentes are always conservatives. A Geneva paper this morning quoted a Norwegian proverb — I do not know if there really is such a proverb! — to the effect that a mouse sitting on a piece of bacon thinks all's well with the world. But we who are not sitting on the piece of bacon do not find all's well with the world, as we are told it is.

It is certain that a solution must be found which makes provision for a genuine organisation, and I welcome the French Government's offer to submit to us a general programme. I do not approve of all the details of the programme: but it represents an effort to find a general solution. If we make a beginning, we can presumably adapt the programme to requirements. We shall not at the outset achieve perfection: but we shall obtain such a result as will enable us to wait and not lose confidence in the work of the Commission for European Union. If we do not succeed, if we continue always to say the same things, then, in spite of the goodwill which we all always display in regard to international solidarity, the patent fact that such solidarity does not exist will force each of us to pursue his own policy. So far as the agricultural countries are concerned, that policy is clear. It will consist in increasing the Customs tariffs and in creating markets behind them which we shall be compelled to protect, since we cannot find markets elsewhere.

M. Titulesco (Roumania) [Translation]. — I have sufficient experience of these meetings not to make a long speech at this hour.

In the Commission of Enquiry the Roumanian Government will explain its attitude in detail in regard to preferential tariffs and the assistance to be given to Austria. I wish, however, to state at the outset that my Government is in clear and emphatic agreement with the French plan.

The Chairman [Translation]. — Before declaring the general discussion closed I want to draw attention to the fact that it has been very wide, very admirable and very complete, and will be a very valuable basis for our future studies. The characteristic feature of all the speeches has been the recognition of the imperative need for a spirit of European co-operation, if we are to face a situation which is painful for all of us. From M. Marinkovitch, who made some reservations (being a man of prudence though optimistic), to M. Litvinoff all speakers have shown the same anxiety to solve the difficult problems with which we are confronted.

If there is one sentiment which has dominated the whole of our discussions, it is the feeling that, whatever the economic resolutions we may adopt, our decision should be such as to constitute in this sphere a pact of non-aggression similar to those which have been concluded in the political sphere. Let us devote our efforts to the preservation of peace. If we can preserve peace, we shall have rendered a signal service both to mankind and to Europe.
26. Appointment of a Sub-Committee to suggest the Procedure to be adopted for the Preparation of Definite Practical Proposals.

The Commission of Enquiry adopted the resolution proposed by the British delegation in the following terms:

"The Commission of Enquiry decides to establish a sub-committee to recommend the procedure to be adopted for the preparation of definite practical proposals in the light of the various schemes which have been submitted to it.

"This sub-committee should meet forthwith and present its report to the Commission of Enquiry to-morrow or at least on the following day."

It was decided that the Sub-Committee should be composed of representatives of the following countries: Austria, Belgium, Czechoslovakia, France, Germany, Great Britain, Greece, Hungary, Italy, Poland, Roumania, Spain, Sweden, Switzerland, Turkey, the Union of Soviet Socialist Republics and Yugoslavia.

The proposals submitted by the German (Annexes 2 and 8), Belgian (Annex 9), Swedish (Annex 10), French (Annexes 5 and 11), Italian (Annex 3), Greek (see page 50), and Soviet (Annex 7) delegations with regard to the world economic crisis, as well as all proposals submitted to it before or during the present session, were referred to the Sub-Committee: such reference to include questions relating to the disposal of stocks of cereals (Annexes 12 and 13), and the application of the Commercial Convention of 1930.

The Sub-Committee was further requested to study the proposals contained in the memorandum from the International Labour Office (Annex 14) and that from the Secretary-General of the League relating to the economic depression (Annex 15), as well as the report by M. Colijn, President of the Second International Conference with a View to Concerted Economic Action (Annex 16).

The following questions were also referred to the Sub-Committee: the treatment of foreigners; transport and transit of electrical energy; Customs treatment for fuel for motor vehicles passing frontiers by land, sea, river or air.

The Sub-Committee would consider any other suggestions submitted to it, with the exception of the question of agricultural credit, which would be the subject of a discussion by the Commission of Enquiry at its next plenary meeting.

On the proposal of the Chairman, M. Motta was appointed Chairman of the Sub-Committee.

SIXTH MEETING (PUBLIC).

Held on Wednesday, May 20th, 1931, at 3.30 p.m.

Chairman: M. Aristide Briand (France).

27. Agricultural Credit: Establishment of an International Agricultural Mortgage Credit Company.

The Chairman [Translation]. — The question of agricultural credit is on to-day's agenda. You will remember that you asked a Sub-Committee of eleven members to deal with this matter. That Sub-Committee followed up the work of the Financial Committee (Annex 17), and then held a session to discuss the report (Annex 17a) to be submitted to this Commission, which it has asked its Chairman, M. François-Poncet, to present to you.

M. François-Poncet (France) [Translation]. — The Sub-Committee on Agricultural Credit appointed by the Commission of Enquiry for European Union held two sessions: April 20th to 24th and May 13th and 14th. It had before it at its first session the provisional texts drawn up by the delegation of the Financial Committee, which had been entrusted with the preparation of a scheme for the creation of an International Agricultural Mortgage Credit Company, and at its second session the Financial Committee's report and revised texts, which it examined thoroughly. Subject to certain points of detail mentioned by it in its report of May 14th, the Sub-Committee was unanimously of opinion that the texts were well-designed to achieve the primary objects which the League of Nations and the Commission of Enquiry for European Union have in view. It has no hesitation in recommending the plan as a whole for definite and immediate approval.
The primary object of this plan is to alleviate the burdens which weigh on agricultural production in the various countries. Its realisation is therefore of equal importance to the industrial countries, for it will contribute towards raising the standard of life in the agricultural countries, thereby increasing their demand for industrial products.

The Sub-Committee says in its report that the new Company should avoid exposing itself to criticism on the ground that it has encouraged an injudicious increase of agricultural production. It asks that the Board of Directors shall give adequate information on this point, so far as it can be supplied in its annual report, which will be transmitted to the Council of the League of Nations.

The Financial Committee drew up three texts (Annex 17b): (1) A draft Convention for signature by the acceding Governments; (2) A draft Constituent Charter for the International Agricultural Mortgage Credit Company; (3) Draft Statutes for the new Company.

The draft Convention and Charter determine the obligations, both of the Governments in general and of the Government in whose territory the seat of the future Company will be fixed. Their main object is to give the Company the international character which is so essential if it is to work satisfactorily. They relate in particular to the two following points:

A. From its incorporation the Company must have available by means of advances from the contracting Governments, repayable out of the profits, a special fund of five million dollars. That will be a supplementary guarantee to the holders of the bonds whose product will be required for granting loans. The constitution of this special fund is the essential feature of the plan. Experience shows that the first years of a mortgage company are the most difficult. Then, too, the feeling of fellowship, the desire of the Governments to co-operate, of which the constitution of such special funds is a proof, will have the greatest influence on financial circles.

B. The International Company should be granted fiscal exemptions based on the four following principles: (1) The country in which the Company has its seat should not derive any fiscal benefit from the fact that it has been chosen as the seat; (2) Double taxation should be avoided in all countries in which the Company conducts its business; (3) The countries in which the loans are effected should impose no fiscal charges, either on the loans granted or on the service of those loans, the object being to reduce, as far as possible, the rate of interest; (4) The Government may levy on the shareholders and bondholders any taxes which are provided for by their internal legislation, subject to the reservation that this does not impose any obligation on the Company.

The Constituent Charter granted by the Government of the country in which the Company has its seat contains the first of these principles. The other principles, subject to certain reservations, are optional, either in whole or in part, for the contracting Governments.

The new Company will take the form of an ordinary limited liability company. It will issue bonds up to ten times the amount of the paid-up capital plus the amount of the special reserve constituted at the outset, as we have seen, with advances accorded by the Governments. The special reserve will be reconstituted subsequently out of the profits, on parallel lines with repayments to the Governments concerned. That is to say, from the outset the Company will have power to call in up to one hundred million dollars. The product of the issue of bonds and of a limited portion of the capital will be used for granting loans to national companies — mortgage or agricultural credit institutions — which, either directly or indirectly, make loans on first mortgages on immovable property which is the subject of agricultural cultivation, or is used for the purposes of such cultivation.

It will be seen that the main object of the plan is to help agriculturists. The guarantee that it will work well is to be found in the mortgage guarantees by which its loans will be secured and, if the need arises — this should be made clear — in the special guarantee which will be required of the borrowing Governments. Under Article 10 of the draft Convention the new institution may refuse loans to countries whose mortgage legislation is considered unsatisfactory. A list of the main provisions which sound mortgage legislation should contain is attached to the plan. If the legislation of a country is considered inadequate, or for any other reason, the Company may require the Government of the borrowing country to furnish guarantees. The Sub-Committee, after examining this provision thoroughly, came to the conclusion that it was an indispensable part of the plan.

Subject to these reservations — which are necessary in order to safeguard the bondholders — the main object of the Company will be to lower the rate of interest, as far as possible, on loans to agriculturists. The Financial Committee itself stated this fact in its report to the Council on May 11th. In these circumstances, the rate of interest on loans will vary from country to country, and a well-devised system of reserves will enable the Company to cover itself so far as that is necessary.

The Sub-Committee entirely approved the provisions for this purpose. Special consideration was given to the composition of the Board of Directors. It was regarded as essential that the Board should be composed of financiers representing both the general interests which must be safeguarded, the countries subscribing the share-capital, and the markets on which the bonds are issued. The Financial Committee...
therefore decided on the following formula, which was unanimously accepted by the Sub-Committee:

(1) The President and Vice-President shall be appointed by the Council of the League of Nations;

(2) Two directors shall be appointed, one by the Permanent Committee of the International Institute of Agriculture, and the other, who shall be selected for his special competence in finance, by the Bank for International Settlements. If these institutions renounce their right, the appointments shall be made by the Council of the League of Nations;

(3) Nine directors shall normally be appointed by the general meeting. The first appointment shall be made by the Organisation Committee of the new Company. The Sub-Committee expressed the hope that the choice of these nine directors should, as far as possible, reflect the probable distribution of capital;

(4) Not more than five directors shall be appointed by the directors referred to above, with the object of promoting the general interests of the Company and, in particular, encouraging the participation of the chief financial markets in the placing of bonds.

Further, the Sub-Committee agreed with the Financial Committee that as far as possible the Board of Directors should be composed of persons having intimate knowledge of finance and of mortgage credit business. It is therefore stipulated that the directors appointed by the shareholders shall be representatives of mortgage or agricultural credit institutions, or experts in banking and credit business. At the same time, it was thought desirable that those countries parties to the Convention which have no national representative on the Board should be given the right to delegate an assessor in an advisory capacity.

The Board thus constituted will itself appoint an executive committee of five or seven of its members to assist the President in the management of the Company's business. There is one important question on which the Financial Committee and the Sub-Committee thought it advisable not to put forward any specific recommendation, but to leave it to the Governments to decide. I refer to the question of the seat of the Company. The Financial Committee reached the conclusion that either Paris or Geneva should be chosen, as contact with the great financial markets and the countries that may wish to benefit from the loans granted by the Company would be fully assured by the choice of either of these two towns.

I have already stated that the Sub-Committee made certain additional observations with regard to the Financial Committee's drafts. These observations appear in the appendix to its report of May 14th, with all the necessary explanations (Annex 17a). They were approved by M. ter Meulen, Chairman of the Delegation of the Financial Committee, who stated that in his opinion, if it had been possible for him to consult the Financial Committee, the latter would have had no objection to the proposed changes. The Sub-Committee thought it desirable, in these circumstances, to recommend the Commission of Enquiry to adopt them at the moment when it took a decision regarding the seat of the Company. It also recommended the adoption of a resolution, the text of which is attached to its report, to the effect that the Governments which propose to reform their mortgage legislation should pay special attention to the principles set forth in the appendix to which I have already referred.

When the Commission of Enquiry has taken a decision on these various points, the Council of the League of Nations will, during the present session, be called upon to say whether it approves the plan as a whole and to declare the Convention open to signature by European States Members of the League of Nations up to August 15th, 1931, unless it is thought desirable to adopt a later date. It will also appoint the Organisation Committee, which will take the necessary preliminary steps for setting the Company to work and will appoint the members of the first Board of Directors.

The Convention will come into force as soon as the amount of the contribution to the special reserve due from the Governments which have ratified the Convention attains the sum of five million dollars. If this condition is not fulfilled before December 31st, 1931, a Conference of the Governments which have ratified the Convention will have to be called.

The capital of the Company may be offered for subscription in proportion to the amount contributed to the special reserve, as soon as the Convention has come into force and the charter been conceded. The Company may, moreover, start business as soon as the Board of Directors has recorded that the ten thousand shares having one vote per share and corresponding to five million dollars have been subscribed.

Such are the conditions in which the Sub-Committee unanimously decided to ask the Commission of Enquiry to bring to the notice of the Council of the League of Nations the importance of putting the scheme into force as a measure for alleviating the present economic crisis. If the Sub-Committee expressed the hope that the Council would take all the necessary steps to enable the Organisation Committee to set to work as soon as possible, if possible before August 15th, the time-limit for signature of the Convention. The Commission of Enquiry will certainly agree with the Sub-Committee's recommendations on these two points. If all the Governments represented here have not yet been able to make known whether...
they propose to accede to the Convention, I would remind them, in conclusion, that they have all recognised the great importance of this plan.

TEVFIK ROUCHDY Bey (Turkey) [Translation]. — The Turkish delegation has studied very carefully the draft Statutes and Convention prepared by the Financial Committee with a view to setting up an International Agricultural Mortgage Credit Company, and wishes to put the following considerations before the Commission.

Article 14 of the draft Convention stipulates that this Convention shall be open to signature by the Government of any European Member of the League of Nations until August 15th, 1931. Article 4 states that the loans provided for by the Statutes of the International Company may only be accorded to mortgage or agricultural credit companies or institutions having their registered offices in the territory of the contracting Governments.

These provisions are confirmed by Article 4 of the draft Statutes. Although the Government of any European Member of the League of Nations which has not signed the Convention is entitled, under the terms of Article 15(a), to accede to it after the expiration of a period of five years as from August 15th, 1931, and the same right is conferred, in Article 15(b) on the Governments of non-European Members of the League of Nations, we find no provision which would enable States not members of the League of Nations to participate in the organisation of agricultural mortgage credit. We wonder how far this can be reconciled with the object which the Commission has in view. It means that a country like Turkey, which is eminently agricultural but is not a member of the League of Nations, will be excluded, and this, moreover, at the moment when we are endeavouring to remedy, on an international scale, the difficulties caused by a shortage of agricultural credit, which is closely connected with the existing economic crisis. Owing to the present situation, the result of successive wars, Turkish cultivators are in need of long-term, medium-term and short-term credit. The gravity of the situation is increasing, owing to the continual fall in prices which puts Turkish agriculture in an extremely difficult position.

The financial resources of the Agricultural Bank, which is the central agricultural credit institution, and of the agricultural credit co-operative societies, which are controlled by the Bank, are far from sufficient to meet the needs of agriculturists. This state of affairs forces the Turkish agriculturist to have recourse to other institutions or to private persons, who grant him loans at rates and on conditions which are usurious. The burdens which the crop has to bear are so heavy in Turkey that sometimes the selling-price does not cover the cost of production.

The Turkish delegation is glad to note that the Commission of Enquiry for European Union attaches great importance to the part played by agricultural credit in the crisis through which all countries are now passing. It hopes that the Commission will consider the advisability and even the necessity of allowing Turkey to participate on the same footing as the other agricultural countries of Central and Eastern Europe in the creation of the International Mortgage Credit Company. This hope is all the more justified, since the guarantees rightly required by the International Credit Company for the loans to be granted by it are already provided for under Turkish legislation, as well as under the organic law of the Turkish Agricultural Bank. The Turkish Government is glad to have a new opportunity of co-operating in the work of European reconstruction and union, and is fully convinced that the Commission, animated by similar feelings of international friendship, will recognise that its request is well founded, and will decide to make the necessary modifications in the draft Convention which is now before us.

I therefore beg to propose the following draft resolution:

"In view of the considerations put forward by the Turkish delegation, the Commission decides to make the two amendments suggested by that delegation in the Statutes of the International Agricultural Mortgage Credit Company."

M. LITVINOFF (Union of Soviet Socialist Republics). — I regret that I feel bound to say that the proposal for the organisation of international credits submitted for the approval of this Commission does not, in my opinion, promise to bring in its train those benefits to agriculture which might have been expected from the proper organisation of agrarian credit. Credit against mortgage would mean that only big landowners and more or less prosperous peasants and farmers, owning valuable buildings as security, would benefit by them. The numerous petty peasantry and small farmers, not possessing such property, or long ago having mortgaged it, will receive no credits from the bank.

In discussing this problem we must in the first place ask ourselves what the connection is between the world crisis (and especially the agrarian crisis), which is the object of study in this Commission, and agrarian credits. The agrarian crisis, as many speakers here have noted, has been largely brought about by the sharp fall in the prices of agricultural products. This fall in prices is in its turn the consequence of the simultaneous inundation of the market with vast masses of agricultural products, irrespective of the existing demand and market conditions. What but the need for money and the impossibility of obtaining credit on non-usurial terms is forcing the agriculturist to behave in so unpractical a manner? Even
after the organisation of an agrarian bank on the proposed lines, however, he will be unable to get such credits, unless he has property that can be mortgaged and that is not already mortgaged. Finally, even if he manages to get a certain sum from the agrarian bank on mortgage, he will be unable, should his need for money be the same, or even greater, in the following year to get any more credits.

Evidently something different is required — namely, the granting of credits, not on mortgage, but on the security of agricultural produce ready for export. Only if such credit can be organised will the agriculturist be able to keep his goods for the most favourable opportunity, to refrain from immediately putting them on the market, and to spread them over the whole year, avoiding periods of depression. Such a system of selling would undoubtedly be of the greatest importance for the regulation of prices and the mitigation of the agrarian crisis. This end will not be attained, if the International Bank limits its operations to mortgage credits only.

Further, by easing the situation of the peasant masses and aiding them to obtain suitable prices for their products, we should be increasing their purchasing power in regard to manufactured goods, thus exercising a mitigating influence on the industrial crisis also. Such results cannot be expected if the bank issues credit on mortgage only, and consequently to a mere handful of landowners and prosperous farmers.

These are the considerations which lead me to believe that the organisation of an agrarian bank on the terms laid down in the draft do not meet the requirements arising out of the European crisis.

I might raise objections to the organisation proposed for the bank, and support the remarks made by the Turkish representative, if I did not consider this unnecessary at the moment, while the substance of the bank’s functions remain as laid down in the present draft. No importance can be attached to the organisation of the bank as it stands in the present draft, so far as mitigating the present crisis is concerned, for the projected bank would not contribute to any appreciable improvement in the position of the broad masses of the peasantry, neither raising their purchasing power nor affording adequate stimulus to the absorption of stocks.

I should like to add that the question of agrarian credits has a direct bearing upon the work of the Wheat Exporters’ Conference now being held in London. Indeed, I cannot see how that Conference is to yield fruitful results unless some machinery is created for the financing of wheat exports with a view to regulating the supply of the market and avoiding accumulations of wheat on the markets, with a resulting drop in prices.

This financing can only be done in the way I have indicated. It would seem inexpedient for the London Conference to create a parallel agrarian credit institution, but it may be forced to do so should the Commission of Enquiry approve of the project under discussion, or its work will have been in vain.

If my proposal for the alteration of credit operations is accepted, I will permit myself to return to questions of organisation.

M. Zaleski [Poland] [Translation]. — I desire to make the following declaration on behalf of my Government. Poland is prepared to sign the Convention for the establishment of an International Agricultural Mortgage Credit Company, and will subscribe to the special reserve the sum fixed as its quota.

I should also like to pay a tribute to the productive work done by the Financial Committee and its special delegation, and also to the effective participation of the Sub-Committee of our own Commission in the preparation of so vast a plan.

M. Titulesco [Roumania] [Translation]. — As it was I who asked in January that the possibility of establishing an international agricultural credit institute should be considered, I must congratulate the Sub-Committee and the technical organisations of the League of Nations on the rapidity with which they have placed before us such important concrete results. Roumania is prepared to sign the Convention at once. It is understood that the Convention will be subject to ratification in the ordinary way under constitutional law.

M. De Michelis [Italy] [Translation]. — The Turkish representative has made a request which I desire to support on behalf of my Government. The reasons he has given leave no doubt as to the advisability of examining his request. I am fully aware of the difficulties which it raises at the moment, seeing that the draft Convention, a Constituent Charter and the Statutes which have already been drawn up make it impossible for us to comply immediately with the request, unless we amend the articles concerned. Although we are unable, however, for constitutional reasons to grant the request at once, we can at least hope that in the near future, with the development of the banking organisation, it may be possible to consider it. In any case, we can say that it is based on substantial grounds to which justice should be done. The request is addressed not so much to the League of Nations as to the Commission of Enquiry for European Union, since this Commission has adopted as the basis of its activity the re-establishment, as far as possible, of European economic equilibrium. This expression covers economic unity, which may
also include States not strictly European. I therefore consider that the Turkish delegation's draft resolution might be adopted, at least in principle.

The fact that the credit organisation is to be established under the auspices of the League of Nations is not a decisive argument for refusing the request: the farther we try to extend the moral influence of the League of Nations, the more our work will develop.

The Turkish Government has appealed to our feeling of fellowship. I think our response should be favourable. It is mainly a matter of finding methods sufficiently elastic to enable us to admit States which are not members of the League of Nations but nevertheless desire to benefit from the credit organisation we are about to establish.

M. CHOUVENKOVITCH (Yugoslavia) [Translation]. — The Yugoslav Government thanks the Commission of Enquiry for European Union and the League of Nations for the work they have already done, which represents part of the endeavour to remedy the agricultural crisis from which the European countries are suffering.

The Yugoslav Government supports the draft Convention establishing the International Agricultural Mortgage Credit Company, and declares that it is prepared to sign it.

M. MICHALAKOPOULOS (Greece) [Translation]. — I declare on behalf of my Government that it accepts the draft Convention unreservedly. It is prepared to contribute to the special reserve for which the provisions of this Convention provide.

We are also grateful to the organisations of the League of Nations, and particularly to the Financial Committee and its special delegation for the proposals they have submitted to the Commission which in my opinion mark the beginning of a new era in the history of world economy.

I also venture to support the Turkish proposal, with which the Italian delegation has associated itself, with regard to Turkey's participation in this economic institution. Since we have decided to invite States which are not members of the League of Nations to co-operate in re-establishing equilibrium in Europe, I consider it would be unfair to exclude such of them as wish to participate in this new institution.

With regard to M. Litvinoff's remarks, may I reply in a few words suggested by one who started his career by working in the interests of a national economic system and agricultural credits. M. Litvinoff expressed some doubt as to the effectiveness of the institution we are about to create. He stated that it would not grant loans to small landowners: I think, on the contrary, that it is precisely they who will benefit from the organisation, for everyone knows that usurers do not make loans to small owners; they have nothing to gain from these small properties. It is no use putting them up for auction; on the other hand, what would be the use of keeping them? Usurers are not agriculturists, but profiteers.

Consequently, it is precisely the small owners who will benefit from the institution; if they are in debt, our institution will be able to take the place of their creditors and grant loans on much more favourable conditions.

I hope we shall sign the Convention and that the Company will be able to begin its work without delay. I am sure it will be of special benefit to the weak.

M. MORFOFF (Bulgaria) [Translation]. — I also have full power to sign the Convention as soon as it is open to signature.

On behalf of the Bulgarian Government, I thank all who have taken part in preparing the plan before us. I also wish to state that like Greece we have no objection to the Turkish proposal.

M. BENEŠ (Czechoslovakia) [Translation]. — I had the honour yesterday to declare that the Czechoslovak Government had decided to participate in any action, such as the establishment of the International Agricultural Mortgage Credit Company, which would contribute to the improvement of economic conditions, particularly in the agricultural countries of Central and Eastern Europe. My Government intends to co-operate actively in the establishment of this Company, which, it feels, will be helpful in bringing prompt and effective aid to agriculture, particularly in the States which are suffering from a scarcity of capital.

I am prepared to sign the Convention.

M. DE NICKL (Hungary) [Translation]. — The Hungarian Government is prepared to sign the Convention for the establishment of an International Agricultural Mortgage Credit Company.

At the same time, on behalf of my Government, I recommend the Turkish proposal to your kind attention, and support the observations of the Italian delegate.
M. SCHMIDT (Estonia) [Translation]. — My Government is in principle prepared to sign the Convention.

I would add that the Estonian Government believes that the new institution will be useful if, in fixing the rate of interest, it succeeds in bearing in mind the special conditions connected with the profit-earning capacity of agricultural undertakings.

I should also like to congratulate the Financial Committee and its delegation on their remarkable work.

The CHAIRMAN [Translation]. — As French delegate, I declare that my Government accepts the Convention, which it is prepared to sign.

The Sub-Committee suggested that two towns should be considered as the possible seat of the new Company: Paris and Geneva. My Government abandons in favour of Geneva the suggestion that it should be at Paris. Naturally, the Federal Government will have to be consulted as to the necessary fiscal arrangements. In order to facilitate negotiations and to expedite matters, perhaps two delegates of this Commission might be asked to get into touch immediately with the representatives of the Federal Government, in order that the negotiations may be brought rapidly to a satisfactory conclusion.

Like previous speakers, I am not indifferent to the hopes expressed by the Turkish representative. I am sure that, when the members of the Sub-Committee studied the plan which is before us, they anticipated Turkey's desire. Our Turkish colleague will, however, realise that there are constitutional difficulties. Are those difficulties insurmountable? I think not, and I hope it will be possible to overcome them. In any case, we take note of our colleague's recommendation, and I am sure that steps will immediately be taken to see what can be done to give satisfaction to Turkey. We should be delighted if Turkish agriculturists could benefit, with all other European agriculturists, from the new Company, and I am convinced that a way will be found. I know of one way out of the difficulty for Turkey — I am sure it is in the minds and is the desire of all the Members of the League of Nations. If I could make a recommendation, in the hope that our Turkish colleague would receive it favourably, I would do so, but with his usual perspicacity he will realise what I have in mind.

I should like to say a few words in reply to M. Litvinoff. He said that the system by means of which we are proposing to help the agriculturists will not be as effective as he hoped, that it provides for mortgage loans to property owners and that consequently its value will be limited. I would call attention to the circumstances in which these questions have been discussed by this Commission, and it is only fair to say, in the first place, that these problems have been before the Commission for barely three months.

The first problem was urgent, owing to the suffering which it was causing. We were told that in certain countries the agriculturists have in their granaries crops of which they are unable to dispose. At the same time, they must eat, they must work and they must find money. They are compelled to look everywhere for funds. They do not always meet with a generous response, but find everywhere persons who are ready to speculate on their misery. They are compelled to obtain loans at 15, 20, 25 and even 30 per cent interest. We were urged to come to their aid. What did we do? We decided upon three lines of action. We decided that the most pressing need was to clear out the granaries by absorbing the stocks. We started work immediately, and one important step has already been taken. This was the first problem in connection with which we were able to give help. The second consisted in finding the means for financing agriculture. I believe a plan is at present under consideration. I am sure that some means of doing this will be found, and that all, whether owners or not will benefit.

Finally, there was the question of agricultural mortgage credit, which had been under consideration for some time. We were asked to bring this work to a satisfactory conclusion. With the help of the League of Nations and its technical advisers we set to work. In a very short time, since we have been dealing with this question for only two months, we succeeded in drawing up the draft Convention which M. François-Poncet has submitted to you. Obviously, it is always possible to do better, but in international circles, as in human affairs, we must find, between the absolute desire and the possibility of realising it the practical means of achievement. Above all we must avoid pessimism in the face of such problems. I believe our work will be of some use. When the Company we are so prudently establishing has begun work, I am quite sure that it will not act like a usurer, but that, when agriculturists appeal to it, it will find a means, thanks to a supply of capital obtained under the best conditions, of alleviating their sufferings.

I therefore believe that through our Commission we shall make great progress. I am convinced that you all consider it advisable to support the proposal, first to adopt, then to sign and later to ratify the Convention. As far as France is concerned, that may be considered as already done.
M. Motta (Switzerland) [Translation]. — I am delighted with the action we are about to take. If I am not mistaken, the establishment of an International Agriculture Mortgage Credit Company is the first child of the Commission of Enquiry for European Union. Our Commission has already undertaken other tasks which are in course of evolution. The establishment of the International Company has taken a more concrete, and I hope a more final, form than the other questions. I think that, if during the first months of our life we have been able to carry out even this work, only we can say modestly but truthfully that our existence is fully justified.

My Government is not yet able, for administrative reasons, to give me the necessary power to sign the instruments in question, but I shall expedite matters, and hope to be able, before leaving Geneva, to sign them on behalf of the Confederation. I am sure that in saying this I am interpreting correctly the view of the Swiss Federal Council.

My chief reason for speaking, however, is to perform a duty and to give certain explanations.

I want above all to thank the Chairman of the Commission who is not only our Chairman but the delegate of France, for his statement that, two towns having been suggested as the seat of the new Company, France abandons its claim for Paris to be selected and supports the choice of Geneva.

The Federal Government gave its delegates the following instructions. Do not ask that the seat shall be at Geneva, If, however, the competent authorities consider that it should be in Switzerland, accept the proposal with all the consequences involved.

I therefore declare that the Confederation agrees that the seat of the new company shall be at Geneva. The Federal Government — and I am sure the Swiss people — very much appreciate this new proof of confidence in Geneva, on the one hand, as the seat of the League of Nations, and in the Swiss Confederation, on the other. We are proud of it, and we hope that the new company will be content with us, and will be able to achieve its aims.

M. Briand was good enough to anticipate my desire, and I thank him for this act of friendship, which did not surprise me. He said that the Confederation would be called upon to confer a charter on the Company, and that, the question of the seat having only just been settled and the Swiss Confederation having been unable, under these circumstances, to discuss thoroughly certain consequences involved, it is right and legitimate that a small committee of two, three or four at the most, should be asked to get into touch, on your behalf, with the Swiss delegation in order to arrange certain points of detail and to consider the necessary technical adjustments between the charter and the Swiss legislation.

I wish to remove all hesitation from your minds. In principle, the Swiss Government accepts all the provisions of the charter. We shall simply have to adapt and adjust it on certain technical points. Your Sub-Committee will only have to come before us to report to us and to obtain our approval of its proposals. It should have full powers. For my part, I am authorised to confer on the Swiss delegates full powers to deal with this question of detail to the general satisfaction.

I would add one word with regard to the suggestion of the Turkish representative. He is well aware of the sympathy of my country for Turkey. I associate myself with all that M. Briand said, and particularly with that part of his thoughts of which the meaning is obvious, though he did not express it in words.

Mr. Henderson (Great Britain). — As the representative of my Government I am pleased to note the successful and rapid conclusion of the efforts made to draw up this scheme for an International Agricultural Mortgage Credit Company. I heartily congratulate all those concerned, both the Financial Committee and its delegation, for the very sound technical framework they have constructed, and the Agricultural Sub-Committee of this Commission for the guidance it has given in the form of the scheme.

I agree with M. Motta that this is an example of successful co-operation through the League and of the efficiency and speed with which the League can do its work. I look forward to the success of this scheme as part of the reconstruction work which the Commission of Enquiry for European Union is earnestly endeavouring to carry out.

I must point out, however, that the scheme gives rise to certain particular difficulties from the British point of view. I need not describe them, but will confine myself to assuring Commission that, on my return to London, I will lay the whole matter before my Government with a view to clearing up these difficulties as soon as possible.

M. Feldmans (Latvia) [Translation]. — I am authorised to declare that the Latvian Government accepts the proposed plan. Consequently I am prepared to sign the Convention during the present session, provided it is approved by the Council of the League of Nations.

My Government is sure that the International Company will do everything in its power to place credit at the disposal of agriculturists at rates of interest which they can support without having to decrease their capital.
M. Hymans (Belgium) [Translation]. — I am prepared to sign the Convention, although Belgium is not directly interested in the question, in order to mark our desire to co-operate in a piece of work which I sincerely hope will develop effectively. I reserve my right to refrain from depositing Belgium's ratification until the Convention has obtained the general support of the States whose participation I consider necessary.

I would add one small observation, or make one recommendation. According to the Convention, the latter will remain open to signature by the States until August 15th, 1931. M. Frangois-Poncet told us that this time-limit was not definitely fixed. I am interpreting the desires of several States in proposing that the Convention shall remain open for signature until September 30th.

M. Curtius (Germany) [Translation]. — I am prepared in principle to sign the Convention in the hope that the proposed Credit Company may relieve the distress in European agriculture. I desire, however, to add that we are only prepared to participate on condition that the Pan-European character of the Company is apparent. I wish to say that the countries which are the great financial markets of Europe, or if not all at any rate the great majority, must also express their willingness to sign.

We have just heard that the representative of the British Government is not yet in a position to declare that his Government will accede to the Convention. I do not desire formally to make Germany's signature subject to signature by the British Government. On the other hand, Germany's ratification will be subject not only to the signatures of France, Italy and Belgium, which we have been assured will be given, but also to signature by the Netherlands, Sweden and Switzerland.

M. De Michelis (Italy) [Translation]. — Italy's co-operation in the work of constituting this International Company, as well as M. Grandi's statements, will have left no doubt as to Italy's decision to sign this Convention. Italy would have even more reasons for signing if other Governments would act in the same way.

M. Beelaerts van Blokland (Netherlands) [Translation]. — The Netherlands Government has certain reservations to make in respect of the plan before us, but hopes that, taken as a whole, the measures contemplated will enable us to achieve the aims which the Council and our Commission have in view.

In these circumstances, and in a spirit of co-operation and fellowship Her Majesty's Government intends to sign the Convention on agricultural credit as soon as a more general measure of support by the European States is ensured.

M. Bech (Luxemburg) [Translation]. — The Luxemburg Government will sign the Convention.

M. Ramel (Sweden) [Translation]. — Although the establishment of the International Agricultural Credit Company does not interest Sweden directly, my Government is prepared to examine the question of Sweden's approval of the Convention without delay, in a spirit of co-operation and conscious of its duties in the interests of European unity.

Nevertheless, I desire to point out that Sweden's final approval cannot in any case be given before the beginning of next year, as Parliament, whose assent is necessary, will shortly adjourn and will not meet again until January 1932.

M. Frangois-Poncet read the draft report to be transmitted to the Council of the League of Nations (Annex 18).

This draft was adopted on the understanding that the second section would read as follows:

"The Commission discussed the question of the seat of the proposed Company. It has unanimously come to the conclusion that the seat should be at Geneva. The representative of Switzerland has declared in the Commission that the Government of the Swiss Confederation is in principle prepared to grant to the Company the constituent charter which forms an annex to the draft Convention. The Commission has taken note of this declaration."

and that the second paragraph of Section 3 would be completed by the words:

"The Convention should remain open for signature until September 30th, 1931."

The Chairman [Translation]. — At the beginning of the meeting I said that, in view of the designation of Geneva as the seat of the new Company, it would be necessary to appoint a small Sub-Committee to make certain adjustments in the plan we have adopted. This chiefly relates to questions of procedure and fiscal questions. In these circumstances, I suggest that full powers should be conferred on the Sub-Committee and that it should be composed of representatives of the following countries: France, Switzerland and Great Britain. The Chairman of the Financial Committee might be invited to participate in the Sub-Committee's discussions.

This proposal was adopted.
SEVENTH MEETING (PUBLIC).

Held on Thursday, May 21st, 1931, at 4 p.m.

Chairman: M. Aristide Briand (France).

28. Signature of the Convention instituting the International Agricultural Mortgage Credit Company.

The CHAIRMAN [Translation]. — The Convention instituting the International Agricultural Mortgage Credit Company is now open for signature by any members who may have signified their intention of adhering to it on behalf of their countries.


The CHAIRMAN [Translation]. — The Sub-Committee under the Chairmanship of M. Motta, to which we referred various questions on our agenda has, I think, finished its work.

M. Motta (Switzerland) [Translation]. — I should like to add to my report that the Governments mentioned in Point 10 are to be invited to take part in the study of the regime of international exchanges of electric power because they are not represented on the Communications and Transit Organisation.

You will, I am sure, have noticed heading No. 1, which I consider fundamental and which deals with the Economic Co-ordination Sub-Committee. This is a specially important new body, which is quite indispensable. You will have observed that we propose that the plenary Commission should set up committees to study various questions. The importance of these committees will vary according to the subjects they have to consider and the interests involved. Speaking generally, the members will be highly qualified experts appointed by the Governments and working in conjunction with the League's advisory technical organisations. It must be plain to all that our Commission of Enquiry for European Union would be inconceivable without the League of Nations and the technical organisations which it has succeeded in setting up in the short period since its foundation.

There is yet another reason which proves the fundamental relation existing between the League and the Commission of Enquiry for European Union. If the reports of committees were submitted solely to our plenary Commission, the latter, under its present constitution, would have some difficulty in carrying out the practical work which alone makes positive and concrete results possible. We had therefore to consider setting up between the plenary Commission and the special committees an intermediate, co-ordinating body which would act, if I may say so, as a filter.

All results reached by the committees will accordingly be referred to the Economic Co-ordination Sub-Committee, on which all countries, without exception, will be represented. We were anxious that every country which is a member of the Commission should have a direct opportunity of taking part in the work of the Co-ordination Sub-Committee. The Sub-Committee will resemble our Commission very closely, but will differ from it in that the Government representatives will be mainly technical experts and possibly, if considered necessary, politicians or departmental chiefs — that is to say, men in touch with the national administrations. The new Sub-Committee's main task after it has co-ordinated and filtered the work of the committees, will be to present it to the plenary Commission consisting, in the case of most States, as you are aware, of the heads of the Ministries or Departments for Foreign Affairs. In our Commission the political aspect seems to be predominant, while in the Co-ordination Sub-Committee the members will represent political and economic circles; hence it may be that the economic aspect will be preponderant in the Co-ordination Sub-Committee, while the political aspect will play a more important part in the plenary Commission.

That, I think, is one of the fundamental passages in the resolution before you. We discussed this question at some length and came to an agreement after three meetings lasting about nine hours in all. Every delegation has shown a spirit of understanding and co-operation. I do not claim that there is anything very harmonious in the style of the report submitted to you. It looks more like a rough outline, in which the various parts are not all in proportion. I am sure, however, that our proposals represent something that merits your attention. We must be modest. We must not expect impossibilities of any human institution, but the document I have read does give expression to a great effort made by all parties to show goodwill, and that, I think, is the best guarantee for the success of our future work.

The CHAIRMAN [Translation]. — I am sure you will all wish me to thank the members of the Sub-Committee and their Chairman for the work they have done in so short a time. The task we imposed upon them may with truth be described as extremely heavy. When
I told them that you hoped they would submit, at to-day's meeting, a report on all the subjects on the agenda I felt, I will not conceal it, some scepticism as to the outcome of my request. I owe it to our Sub-Committee to say that its zeal and assiduity have proved me wrong. M. Motta's words have enabled you to see that there was a sufficient measure of goodwill to make it possible for the Sub-Committee to complete its very arduous work.

Before opening the discussion, may I make a suggestion which has been put to me by several of my colleagues with the object of amplifying somewhat the first part of the report — what I may call the introduction or preface.

The report says: "The Commission of Enquiry for European Union decides to appoint, etc." This would read:

"The Commission of Enquiry for European Union, Being desirous of studying all methods likely to remedy the crisis which is no weighing upon European countries and of which the prolongation would cause an evergrowing distress and misery; Being convinced that the solution of this problem must be sought in ever more intimate economic cooperation between the States of Europe and the whole world. "Decides to set up, etc. . . ."

M. MOTTA (Switzerland) [Translation]. — I accept this suggestion.

The proposal submitted by the Chairman was adopted.

Mr. Henderson (Great Britain). — Although I have not the final English text before me, I have examined the text on which the members of the Sub-Committee worked this morning, and though the various resolutions are not in the same order of numbering as in the final draft, I have seen sufficient to enable me to say what I have to say to allow the work to proceed without further delay.

When I moved my resolution yesterday, I was chiefly concerned — as I said in my remarks — with what this Commission was going to do with the thirteen different proposals that had been submitted, and in my resolution it was very clearly indicated that what we wanted was some method of procedure that would work expeditiously and, I hoped, effectively and that before very long we should have some recommendations brought before us. I had more especially in mind the very important scheme submitted by the French representative, and my own idea was that all these proposals would be classified, and that a report would be submitted to us stating briefly to what form of sub-committee these proposals, after classification, would be sent.

I have hurriedly looked through the draft upon which the Sub-Committee has been working, and I cannot trace the French representative's scheme in the form in which he submitted it. I see one of his proposals here and another there, but if his was a co-ordinated scheme, it ought, in my judgment, to have been sent to a sub-committee both of politicians and experts for the closest examination. Whilst we do not encourage delay, there is just a danger at a certain point of working too speedily, and I think this is one of those cases. As the Chairman has said, the Sub-Committee over which M. Motta has so ably presided has not suffered from unemployment, but I am not sure whether, by its method of treatment, it has not given itself a little more work than I — as the mover of the resolution — intended that it should have in the few hours between the time the resolution was adopted and the moment when it should present its report.

The Chairman has asked if anyone desired to speak on the report. If the report has been presented as a whole, I take very strong exception to it. In the report there is a very definite reference to a principle which the British representatives have opposed in the past and continue to oppose at this meeting. We have here the question of preference, which was discussed by one of the Committees of the last Assembly. The representatives, not only of Great Britain, but, I think of nearly the whole of the Dominions and India, took part in the debate and stated their opposition. Now we find that within a few hours, this subject is presented to us in a very long report. I do not know how many resolutions — if they are called resolutions — or separate chapters there are in this comprehensive report. That is one of my difficulties, and so I believe that the particular chapter to which I am referring was formerly number two, and I understand it has now become number seven. Well, whatever its number is, I do not care very much, but I do care about its contents, and the principle which is laid down. It is made unmistakably plain that we are asked to-day to commit ourselves to preference. I must put in, on behalf of my Government, a reservation similar to that which was made by the representatives of my Government last September.

I am, I think, in general agreement with the rest of the report — of which I have not seen a completed draft — except for the criticism that some of the subjects seem to have been lost instead of being under their proper heading. I should have preferred to see the French scheme referred to a sub-committee and a fully considered report presented to us at a later stage.
M. TITULESCO (Roumania) [Translation]. — May I make a very simple proposal with regard to the wording of Point 7, paragraph 2? Point 7 deals with the principle of agricultural preference and says that the Wheat Committee, which met in Paris from February 26th to 28th, should deal with this matter. The text reads: “The Committee mentioned in paragraph 2 above... may, if necessary, be entrusted...” The words “if necessary” should, I think, be deleted, otherwise it might be thought that in certain cases the Committee would not have to concern itself with the question of preference. In that case, we should have a committee whose duties did not include the consideration of the question of preference and we should have agricultural preference without any committee. The text will be clearer if these words are struck out.

M. MOTTA (Switzerland) [Translation]. — I have listened very carefully to what Mr. Henderson said. I am extremely sorry that the English text could not be distributed at the same time as the French. Owing to the conditions in which we have had to work in order to submit the draft resolutions to the plenary Commission this afternoon, I may say that no one can be blamed for this omission. On the contrary, I take the opportunity of thanking the Secretariat officials for their efforts to expedite, so far as was humanly possible, the work we were asked to do.

I feel, however, quite sure that, if the representative of Great Britain had the English text of the report before him, he would be entirely reassured. Every observation submitted by the British delegate on the Sub-Committee was most carefully weighed, and we have always wished to give full consideration and justice to any suggestions he might make.

I had hoped that yesterday an agreement had been reached on the agricultural problem, but this morning we found that there was a divergence of opinion between Great Britain and the other delegations. We suspended the sitting and requested the delegates of France, Italy and Great Britain to try to come to an agreement, and it was in consequence of an agreement which I thought had been reached that we drew up the final report. We refer in Point 2 to agricultural problems, but we have discarded any allusion to agricultural preference. We have simply recorded the material fact that there exists a Wheat Committee which is working and which should continue its work and be enlarged. We propose that this Committee be convened for the beginning of June at Geneva.

The delegate of Great Britain forcibly affirmed — and I fully appreciate his view, because I incline somewhat towards his ideas — his country’s opposition, as a matter of doctrine, to the idea of preferential treatment in any sphere whatever. In order to prevent the Committee in question taking up in any way a position in favour of preference, we make no mention of that subject in Point 2. We were anxious, however, to take into account certain ideas that had been advanced in the Commission concerning preference, and we have drafted a special chapter which you have before you in Point 7. We have therefore separated this question so as to enable the British delegation and the other delegations which might be in the same position to make a reservation regarding it. That is what Mr. Henderson has just done. We all understand his action perfectly, and, if other delegations wish to associate themselves with his reservation, they are entitled to do so. Those delegations, however, which, from the standpoint of doctrine, incline towards the ideas voiced by Mr. Henderson, have been reassured by the fact that the idea of preference is surrounded in the report by all the necessary restrictions and safeguards. We say expressly that preference is contemplated as an exceptional and temporary measure and without affecting the rights of third parties in any way. We considered that in these circumstances each country could, while adhering to its own views from the standpoint of doctrine, accept without risk the idea of preference.

However that may be, the report before you represents an attempt at a compromise, and I am most grateful to Mr. Henderson for saying that, generally speaking, he accepts its contents.

Weren’t required to express on this occasion all my own personal ideas, I would confess that some of them would not be entirely in line with the contents of the report, but I consider that the Swiss delegation like all others should show a spirit of international unity.

I should have no objection to M. Titulesco’s proposal if I were entitled to settle the matter myself, but I fear, and what Mr. Henderson has said shows I am right, that, if we delete the words “if necessary” in the passage dealing with agricultural preference, we shall only be bringing out more clearly the divergencies between us on the point of doctrine.

The CHAIRMAN [Translation]. — May I point out to M. Motta that the words “if necessary”, for the omission of which M. Titulesco has asked, appear in only one part of this chapter, whereas Mr. Henderson’s reservations relate to the entire chapter. Whatever adjustments may be made in this chapter, Mr. Henderson’s reservation will still relate to the whole, so that there can, I think, be no objection to omitting the words “if necessary”, unless M. Motta insists on retaining them.

M. DE MICHELIS (Italy) [Translation]. — I regret that I cannot accept M. Titulesco’s proposal. We must look at matters from the practical angle. What was the intention...
of the Sub-Committee in saying that the Committee which is to meet on June 10th may be entrusted with the “task of ensuring the regular application of an exceptional regime of this nature” and adding the words “if necessary”? Point 7 (Agricultural Preference) is very closely connected with Point 2 (Agricultural Problems) and in Point 2 we say that the Committee which is to meet on June 10th is to take into account the results of the Rome and London Conferences. I stress the words “the results of the London Conference”, because I hope, and I am sure M. Titulesco shares my hope, that that Conference will find it possible to say that preferential treatment would be useless. Those who, like the representative of Great Britain and myself, do not view preferential treatment with any great favour, would be prepared—I at least should be—to examine the possibility of applying such treatment subject to certain guarantees and in conformity with a certain procedure.

M. Grandi said, during the general discussion, that we adhered to the London Conference’s resolution that preferential treatment should be contingent upon certain diplomatic negotiations between the country desiring it and the country asked to grant it. If we tie our hands now and say that the Committee in question must ensure the proper application of an exceptional regime, we may be detracting from the efficacy of the principle laid down at the Rome Conference to which we still adhere. It is possible, let me say again, that the Committee in question may consider it useless to examine the possibilities of applying this exceptional regime in the event of the Eastern and Central European countries obtaining satisfaction in other ways which the London Conference is now examining.

In conclusion, I will ask M. Titulesco to withdraw his proposal, so that we may accept the report before us.

M. MUNCH (Denmark) [Translation]. — I have to thank the Sub-Committee for its very complete and valuable work. I am forced, however, to join in the reservations made by the representative of Great Britain concerning the part of the report relative to preferential treatment. I will merely remind you of the reasons I gave here on this subject two days ago.

TEWFIK ROUCHDY Bey (Turkey) [Translation]. — The Turkish delegation enters a reservation regarding the contents of Point 5 (Credit).

M. BENES (Czechoslovakia) [Translation]. — During the debates in the Commission of Enquiry for European Union, a number of speakers discussed the economic difficulties existing throughout the world and many suggestions were made to cope with them. I am glad to note that these suggestions have resulted in concrete solutions and practical proposals, and I wish to join in the thanks tendered to all those who deserve the credit for the positive results thus obtained.

I consider, in particular, that the need for ensuring better prices for grain from the Central and Eastern European countries has received all due emphasis and that the solution of the problem has thus made remarkable headway. This success affords a glimpse of the possibility of freer action in the commercial policies of the countries concerned. It will stimulate and even render possible, I feel certain, the conclusion of the bilateral agreements which those who frame the draft resolution have had in view. Again, the efforts made hitherto have led to one other positive result; we have agreed, and we reaffirm our conviction that the most-favoured-nation clause, regarded as the fundamental principle of commercial policy, must be maintained intact, so that the system of agricultural preference, if introduced, would represent an isolated exception justified by existing circumstances. It will, therefore, be the duty, in the future, of each country to consider, on the basis of its own internal situation, the most appropriate form for the solution of this question.

In so far as concerns my country, I sincerely hope that we shall soon be able to acquaint the Wheat Committee with certain positive results due to our efforts to put into practice the principles contained in the draft resolution concerning the solution of the questions which, in the field of commercial policy, are connected with agricultural products.

The Czechoslovak delegation accepts unreservedly the other points in the report.

M. RAMEL (Sweden) [Translation]. — I merely wish to say that Sweden, prompted by a feeling of real international fellowship, is prepared to co-operate in the solution of the problems mentioned by the Sub-Committee.

I cannot, however, accept the report without a reservation concerning preference for certain agricultural products. As many delegations consider that preference introduced exceptionally and temporarily and subject to the rights of third States might remedy the difficulties hampering the disposal of certain agricultural products, Sweden will not object to the question being studied with the object of enabling the countries concerned to come to a decision on the measures proposed.

We could not, however, adopt a formula sanctioning the principle of preference in a general way.
M. Litvinoff (Union of Soviet Socialist Republics). — I gave notice in the Sub-Committee that I should make a reservation in regard to the question of preferential tariffs. The first version of the French proposals was discussed in the Sub-Committee; since then a new version has been issued, but it remains the same as regards preferential tariffs.

In my declaration on Monday I explained the reasons for which we are opposed to preferential tariffs; we are afraid that the granting of certain privileges to one group of countries may have political undercurrents and may result, not in the unification, but in the division of Europe, more especially in view of the very vague definition of "Central and Eastern European Grain Exporters". We know that geography has ceased to belong to the exact sciences, and in the case of a controversy I am not sure that we should find ourselves in agreement as to what was east and what west.

In any case, I am afraid that the granting of privileges to one group of countries would mean depriving other groups of privileges and putting them into an inferior position, and it is for that reason that I must make a reservation regarding Point 7, which deals with preferential tariffs. I would add that any decision taken regarding preferential tariffs may have an unfavourable influence on the work of the London Conference which has met, as far as I understand it, on the assumption that, if the grain exporters come to an agreement, no preferential tariffs shall be granted to any country.

I would further make a general reservation as regards the whole report. I am not opposed in substance to any particular paragraph of the report as it stands, but I might take exception to the wording of some of them, and as I do not wish to delay the Commission's work by proposing alterations and amendments, I prefer to make a general reservation.

I accept the proposal as far as it does not contradict the general principles laid down in the declaration I made on Monday last with special reference to the position of my country as not belonging to the League of Nations.

M. Braadland (Norway) [Translation]. — I support in principle the reservation made by other delegates concerning preference for certain agricultural products.

M. Van Langenhove (Belgium) [Translation]. — Belgium accepts the report unreservedly. We consider that the plan that has been drawn up will soon conduce to practical results.

With regard to agricultural preference we adhere to the conditions enunciated in the Stucki report annexed to the Final Act of the Second International Conference with a View to Concerted Economic Action.

M. Beelaerts Van Blokland (Netherlands) [Translation]. — I have no special reservations to make at the present moment regarding the report. I will merely refer to the observations I submitted at our meeting on Monday last.

M. Motta (Switzerland) [Translation]. — The discussion that has just taken place has convinced me that we must retain the words "if necessary". I can justify the need for doing so in a few words and I trust that M. Titulesco will accept them.

In Point 2, "Agricultural Problems", we say that the Commission notes the recommendation passed by the "Committee to Study the Problem of the Export of Future Harvests of Cereals", which met in Paris from February 26th to 28th last, and that it again convenes that Committee with a view to considering the proposals made by various delegations. The first paragraph in Point 2 concludes with the words "with due reference to the results of the Rome and London Conferences".

If now, in Point 7, which deals with agricultural preference, we omit the words "if necessary", we shall be giving the Wheat Committee categorical instructions to make preference effective. If we retain the words "if necessary", we shall not be preventing it from doing so, supposing after consideration it comes to the conclusion that this would be desirable.

That being so, everyone, I am sure, will be able to accept the present text.

M. Titulesco (Roumania) [Translation]. — I accept the very valuable assurances given by M. Motta.

I should be lacking in frankness if I did not add a second reason for my change of opinion. I have just remembered a book I have written of about 400 pages on contingent rights, and I have come to the conclusion that contingency must be a state of reality, since otherwise I should not have wasted so much time in writing so bulky a volume. In view of this second argument, which reinforces that introduced by M. Motta, I will accept the text as presented.

I can, therefore, accept the report as a whole but wish to say that I entirely concur in M. Beneš' declaration.

The Chairman [Translation]. — The fate of the phrase "if necessary" has now been settled to the general satisfaction.
M. Albert Thomas, Director of the International Labour Office [Translation]. — My only object in speaking is to suggest the necessary arrangements to complete the organisation of our work on credits.

May I thank the Sub-Committee — I think I may perhaps anticipate a little and thank the whole Commission of Enquiry — for the reception it has given to the very humble recommendations made by the International Labour Organisation.

I merely wish to ask that the following States be appointed by the Commission of Enquiry as members of the Special Sub-Committee on Unemployment: Austria, Czechoslovakia, Denmark, Great Britain, Union of Soviet Socialist Republics, Yugoslavia. We reserve our right, however, to ensure through our Governing Body the necessary proportion between the countries of emigration and the countries of immigration in the continent of Europe.

I urge that the Committee should meet on July 1st, which, we think, would be the most suitable date.

M. Motta (Switzerland) [Translation]. — I accept M. Albert Thomas’ proposal.

M. Litvinoff (Union of Soviet Socialist Republics). — I wish to thank M. Albert Thomas for kindly proposing to include a representative of my Government in the Commission dealing with unemployment. Since, as I stated the other day, we have no unemployment in our country, we could hardly find the necessary experts to deal with such questions. I would therefore propose that, instead of a representative of my country, one of a country more interested in this question should be included.

The Chairman [Translation]. — May I answer immediately M. Litvinoff’s remarks concerning the representation of his Government on the Unemployment Committee? He had just announced that his country had the good fortune to have no unemployed, and that he would be unable to find an expert on the subject to serve on the Unemployment Committee. I will accordingly ask you to leave it to your Chairman to substitute another country for Russia on the Unemployment Committee, after consulting the Secretary-General and the Director of the International Labour Office.

The Chairman’s proposal was adopted.

The Chairman [Translation]. — As regards the adoption of the report, the Commission might perhaps take a decision on each chapter, so that those members who desire it will have an opportunity of making reservations or indicating their objections. We may also take it that members have expressed their opinion very clearly during the debates and that the reservations made in regard to one chapter or another have been recorded in the Minutes and are consequently valid. That being so, the report might be adopted as a whole.

Point 7 is, of course, the chapter to which the largest number of reservations, either explicit or qualified, have been made. What has been said in this connection will be borne in mind and the fact that the chapter is adopted will not, of course, be set up against those who have made reservations on certain points. Unless you dissent, I shall put the report as a whole to the vote, subject to the conditions I have outlined.

The report of the Sub-Committee was adopted.


M. Litvinoff (Union of Soviet Socialist Republics). — It seems to me that the statement I made here on Monday last is sufficient explanation of the necessity for the Protocol before you (Annex 7). You are not likely to ask that I should recapitulate that statement, or go into further details. I do not think it would tend to create a suitable atmosphere for the discussion of an instrument such as the proposed Protocol for me to cite examples of the way in which various countries have so far acted contrary to the spirit of this Protocol.

I propose in this Protocol the adoption of certain general principles which should dominate the economic relations between countries, principles which are essential for that economic collaboration of European countries which is the avowed aim of this Commission. What would be the obligations undertaken by the Governments in signing this Protocol? Briefly summarised, they amount to the abstention from hostile measures in the economic sphere against any country or group of countries from political or other motives — in other words, to declare economic war illegal. It is this that entitles me to compare this Protocol to pacts of political non-aggression.

To avoid misunderstanding, I should like to say at once the adoption of this Protocol would in no way deprive any country of the right to conclude commercial treaties or other economic arrangements based on mutual concessions and privileges. Our object is the
prevention of discrimination between countries — that is to say, the singling out of one or more countries as the object of hostile legislative or administrative measures, which are not applied to other countries.

The Protocol has a special bearing upon the relationship between the Soviet Union and the rest of European countries. It would be fresh confirmation of the principle adopted by the 1927 Conference, as to the peaceful co-existence, at the given historical stage, of two economic systems. This confirmation is the more necessary in that many countries have so far acted directly contrary to this principle. Accusations of economic discrimination between countries for political motives have been made against the Soviet Government, and no clearer refutation of these accusations could be given than the proposed Protocol. The economic policy of every country must, of course, be based upon mutuality, and this mutuality would be secured for all by the signing of the Protocol.

The Sub-Committee did not find it necessary to recommend any special procedure for dealing with this question, and decided to leave it to the Commission of Enquiry to form its own judgment as to the substance of the Protocol. Some delegates have expressed doubts whether the members of the Commission of Enquiry will feel authorised to sign the Protocol immediately. The argument was advanced that the Protocol came as a surprise, and was not known to the various Governments before the present session of this Commission. As to this, I would say that many other resolutions introduced at this session (including the proposals of the French delegation), had not been circulated or made public beforehand, while the principles involved in the Protocol are not nearly so controversial and complicated.

I would venture to say that spontaneity is most essential in all matters regarding non-aggression and general peace. If a man has to take his time before answering a question as to his peaceful or hostile intentions, that answer loses much of its weight, even if it affirms his goodwill. There are assembled here the Foreign Ministers of nearly all European countries, who know the policy of their Governments, who know whether or not the principles involved in the Protocol fit in with this policy, and there seems to me no adequate reason why the question should not be settled on the spot. Our Chairman said the other day that a great thing would be achieved by the signing of an economic pact of non-aggression. For my part, knowing as I do the peaceful policy of my Government, I am ready to sign it immediately. Would it be too much to ask the representatives of other Governments to define their attitude?

TEWFIK ROUCHDY Bey (Turkey). — [Translation]: We, as usual, welcome very warmly and sympathetically the idea of non-aggression in the economic as in the political field. On behalf of Turkey, my delegation accordingly accepts the Soviet proposal for a pact of economic non-aggression.

Mr. HENDERSON (Great Britain). — I shall not discuss the merits of the proposed Protocol, but would merely say that I think we cannot leave the question where it is at the moment.

In the resolution I proposed the day before yesterday, I suggested that the Sub-Committee should recommend the procedure to be adopted for the preparation of definite practical proposals in the light of the various schemes submitted to it. One of those schemes was the proposal now being discussed and introduced by M. Litvinoff. I find that the Sub-Committee in its report (document C.E.U.E.42) expressed the opinion that it was not competent to discuss the important questions of substance arising out of the draft Protocol. Well, that is one part of this report with which I am in entire agreement. The Sub-Committee was not entitled, and it was not asked, to discuss the substance of the Protocol. As I have shown in the resolution proposed, it was asked to give us some suggestions regarding the procedure that might be adopted for the preparation of definite proposals, and therefore the Sub-Committee did right in refusing to discuss the merits of the Protocol. I cannot, however, say it did right when it left the matter where it did, because this was one of the questions it was asked by this Commission of Enquiry to do. It was asked to recommend some procedure by which this matter could be considered and dealt with, and I now propose that this question be referred to the Economic Co-ordination Sub-Committee.

DR. CURTIUS (Germany) [Translation]. — The German delegation views with sympathy the suggestion made by the Soviet delegation for a pact of economic non-aggression with the object of making it easier for European countries to exist side by side with one another on peaceful terms, and obviating any discrimination in their relations with one another. The idea on which this scheme is based fits in so closely with the idea of European co-operation that there can be no objection to it in principle. We accordingly welcome it very warmly.

We believe that the principles underlying this Protocol, if developed, will have a very desirable effect. We should have been glad if immediate results could have been obtained, but we have noticed more than once that other members of the Commission think it necessary for the Governments represented here to consider these proposals first. This
hesitation must not be construed as implying hostility to the draft. The Governments
are entitled to require that they shall have cognisance of the Protocol before signing it,
because it is an extremely important document. Accordingly, the best procedure would,
I think, be to place the question on the agenda of our next session, and I hope that the
Commission will then be able to accept the Soviet delegation’s proposal.

M. ZAUNIUS (Lithuania) [Translation]. — The Soviet delegation’s proposal deals with
a very important matter. The question before us is whether the proposal should be referred
to the Co-ordination Sub-Committee or postponed to our next session. I second the
proposal that the question should be studied by the Commission itself at the next session.

The CHAIRMAN [Translation]. — The Protocol before us is divided into two parts, one
setting forth certain principles and the other concrete proposals. The first part consists
of a declaration of peace in economic matters. M. Litvinoff says: “We have done with
war generally, in the economic as much as in the political sphere”. He goes still further
and says that economic coalitions against a country with the object of crushing it or
impairing its prosperity are inadmissible.

I do not believe that there is here a single representative of a European country
who cherishes any such design. All of us here, in the League of Nations and in the
Commission of Enquiry for European Union, want peace, the whole peace and nothing
but the peace, extending to all countries and to all branches of activity.

Beside this preamble, however, M. Litvinoff’s Protocol contains certain proposals
which, though formulated in general terms, nevertheless need to be very closely examined.

We set up a Sub-Committee to go into the various questions raised here. We have
referred to it every proposal that has been made, among them M. Litvinoff’s Protocol.
The Sub-Committee examined the Protocol and found that it raised certain questions
of principle which it thought exceeded its jurisdiction

M. Litvinoff will not be surprised if I tell him that the Protocol alone, apart from the
preamble, might very well form the subject of an international economic conference at
which the debates would be extremely intricate. The Sub-Committee was accordingly
forced to say that it was unable to make any suggestions.

The Commission of Enquiry has, however, set up an Economic Co-ordination
Sub-Committee whose powers in the economic sphere are to be interpreted in the widest
sense, and which will deal with this problem raised by M. Litvinoff. Thus, the wishes
of Mr. Henderson, Dr. Curtius and M. Zaunius have been anticipated by the Sub-Committee.

In the course of its studies, the Economic Co-ordination Sub-Committee may perhaps
be able to make some useful suggestions with regard to aggression and the definition of
the aggressor. We have already gauged the many difficulties inherent in these questions
in the political field and they will probably be found to be equally controversial in the
economic. The aggressor must be sought before he can be denounced; he must be found
before he can be punished.

In any case, M. Litvinoff may rest assured that we shall not forget the ideas he has
placed before us. The reason why the European countries have come together is to seek
for some method of remedying the chaotic condition of production and thereby consolidating
peace among nations.

31. Credits allocated in the 1931 Budget for the Commission of Enquiry for European
Union.

M. AVENOL, Deputy Secretary-General, read the following note from the Secretary-
General:

“When the League budget for 1931 was framed, we had no information on which to
estimate the expenditure which the Commission of Enquiry might have to meet this year,
and the appropriation of 28,000 francs voted by the last Assembly will soon be exhausted.

“The programme contemplated in the report will demand an additional sum of about
100,000 francs. The only item in the budget from which so large an amount can be taken
is Item 24 ‘Reduction of Armaments’, since the International Conference for the Control
of the Manufacture of Arms and Ammunition and of Implements of War cannot be held
this year. On the other hand, the Secretary-General told the Fourth Committee that
he would not use the large sums voted from year to year — and never expended so far —
for the International Disarmament Conference to increase other items in the budget by
way of transfers; and, that being so, he would feel a certain reluctance to withdraw such
a sum from the appropriations voted for the International Conference for the Control of
the Manufacture of Arms and Ammunition and of Implements of War.

“The work which the Commission desires to undertake is so important, and we are
all so anxious that that work should not be delayed, that it would, I think, be expedient,
to ask the Council, as an entirely exceptional step, to authorise a transfer of 100,000 francs from the appropriation for the reduction of armaments to the item in the 1931 budget representing the work of the Commission of Enquiry.

"I therefore beg to suggest the following resolution:

"The Commission of Enquiry for European Union,

"Requests the Council to transfer, in the budget for the current financial period, the sum of 100,000 francs from sub-head VI (" International Conference for the Control of the Manufacture of Arms and Ammunition and of Implements of War ") of Item 24 (" Reduction of Armaments ") to Item 30 (" Commission of Enquiry for European Union "), this transfer being essential for the full accomplishment of the work which the Commission of Enquiry has decided to undertake, as stated in its report dated May 21st, 1931."

The draft resolution was adopted.

32. Signature of the Convention instituting the International Agricultural Mortgage Credit Company (continuation).

On the invitation of the CHAIRMAN, the heads of the delegations of the following countries signed the Convention: Belgium, Bulgaria, Czechoslovakia, Estonia, France, Germany, Greece, Hungary, Latvia, Luxemburg, Poland, Portugal and Roumania.

33. Date of the Next Session of the Commission.

On the proposal of M. MOTTA, the Commission decided, to meet on the same day as the Council — namely, September 3rd, 1931.

34. Close of the Session.

The CHAIRMAN [Translation]. — We have now come to the end of the road on which we set out together, not without some misgiving. There were, on our agenda, many complex and difficult questions, on which views that were often opposed had long been expressed in different countries. Some of those questions were particularly embarrassing and might have engendered some heat in our debates. We have discussed them all in a spirit of European goodwill and union, animated by that desire for peace which is so deeply implanted in us.

After all, our Commission has been in existence only a few months and we are entitled to feel proud of our first efforts, because, even at this early stage, we have devised some means of alleviating the sufferings of certain countries.

We may also be proud when we remember that, with the help of the League organisations, in the short interval since our last session, we have solved a question like that of agricultural credits, for which a solution has vainly been sought for many months. I may even say that the signature of the Convention on agricultural credits which we have witnessed to-day is an event of the first order. I feel sure that to-morrow these signatures will be followed by others and that all the nations of Europe will combine to ensure the success of the new Institute.

Our Commission will find new problems facing it, for there can now, I think, be no question of its utility.

I may tell you that the day I launched my suggestion to set up our Commission I asked myself whether in spite of my age and experience I was not being childishy rash. What, I wondered, would be the outcome of such a proposal? Would it not raise insuperable obstacles in my path? Old as I am in affairs of state, I still have a remnant of a taste for adventure that has often spurred me on to some bold step. Serious difficulties might have wrecked our enterprise, but the resolve of Europe to unite was all the stronger in that she was forced by events to face the consequences of her own imprudence. The dreadful growth of unemployment and the economic depression taught us the lesson of what happens to men and nations that fail to unite, when disaster incites them to build factory after factory and to produce on an ever increasing scale, without stopping to ask whether, when the exhausted stocks have been made good, there will still be sufficient customers: when they leave the way open to unbridled speculation, unsettling consumers and in the end exhausting them to the point of depriving them of all capacity to buy.

After a few months of anarchical conditions like these, there is no cause for surprise that Europe should suddenly find itself face to face with grave peril. The distress grew and spread, and then the countries of Europe pondered the danger and felt the need to combine and carry it.

Then the less fortunate turned to those whom the crisis had not yet reached, but on whom it might react, and said to them: "Come first to our aid because we are bowed beneath a load of misery and we need immediate succour. At once we went to them,
at once we sought means to relieve them. To-morrow — and it will certainly be the first task of the Commission for European Union, as even now it is the first task of the League of Nations, we shall have to organise methods for helping one another; for practising co-operation in all branches of life, and I feel sure that, in doing so, the Commission for European Union will find stronger justification each year for its existence and demonstrate its utility ever more clearly. As it goes forward, our Commission will collaborate ever closer with the League of Nations, whose offspring we are and for which, notwithstanding some thwarts and crosses, we have the deepest affection.

You will remember the fears of dualism that were expressed at the beginning, of opposition between our two organisations. The present session must have dispelled all such misgivings; on the one side, we have the Council of the League and on the other, the Commission of Enquiry for European Union, deliberating almost simultaneously, sometimes concerning the same problems; the two bodies exchange views and combine with one another in the pursuit of the same ends.

I believe it will always be thus. I probably shall not see the triumph of some ideas but I feel quite certain, even now, that the work begun will not be relinquished by the members of our Commission but will continue steadily to grow. I shall record with the utmost satisfaction each success achieved by our Commission as it advances along the road.

I must apologise for being perhaps a little too long. I was urged to speak of all these matters by an emotion that I would have preferred to conceal, but which I could not resist.

In conclusion, I thank you for the way in which you have helped me in the performance of my duties as Chairman, and made it possible for me to feel personal satisfaction at having done something to further the successful inauguration of this Commission.

Mr. Henderson (Great Britain). — We cannot allow this meeting to close without expressing once more our indebtedness to our Chairman.

I am sure we shall all agree with his remarks concerning the value of this Commission. I think there were many sceptics when it was first organised, but each time we meet — and I refer especially to the present session, the important questions that we have been compelled to face and some of the issues that we have already reached, as well as those we hope to reach at our next session in September, all go to prove the wisdom of the action taken by M. Briand when he originated this plan. I want to ask you to accord to him your appreciation for the way in which he has seen us through all the business of the Commission up to the present stage, and to express the hope that we may long have him at the head of our Organisation.

The Chairman thanked Mr. Henderson and pronounced the third session of the Commission closed.
AGENDA OF THE SESSION.

In accordance with its terms of reference as defined by the resolution of January 21st, 1931, the Organisation Sub-Committee has studied “the other questions” which have been “submitted to the Commission”, and has thought it necessary to suggest to the Commission the order in which it might study the questions with which it will have to deal at its third session in May.

In the course of the Sub-Committee’s proceedings, the Danish Government called its attention to the advantage which would attach to establishing contact, by periodical meetings, between the Directors of the Press Bureaux of the various European countries, and announced that it would submit detailed proposals on that subject at one of the later sessions.

The representatives of the German and Italian Governments reserved their Government’s freedom to suggest, at the May session, that Item III of the agenda be taken before Item I.

* * *

PROVISIONAL AGENDA OF THE THIRD SESSION OF THE COMMISSION OF ENQUIRY FOR EUROPEAN UNION.


II. Proposal by the Polish Government regarding the Participation of the Free City of Danzig in Certain Aspects of the Work of the Commission of Enquiry for European Union.

III. Economic Questions: The World Economic Depression in so far as it affects Europe as a Whole.

* * *


The Eleventh Assembly decided that the Economic and Financial Organisation should undertake a study of the course and phases of the present depression. It was to collect the information compiled by the national institutions, etc., and take into account the results of the enquiry conducted by the International Labour Office into unemployment. Those enquiries will not be concluded by May, but the Economic and Financial Organisation will be able to submit to the Commission of Enquiry, at its May session, a preliminary report on certain aspects of the economic depression. This document will be communicated before the meeting.

The Governing Body of the International Labour Office, at its meeting on January 31st, 1931, instructed the Director to submit to it at its April session a memorandum on the possibilities of laying proposals for practical action in the field of unemployment before the Commission of Enquiry for European Union in May, while continuing its own enquiries and acting on international lines. If, on examining this memorandum, the Governing Body approves the methods which the International Labour Office proposes for referring to the Commission of Enquiry the question of unemployment regarded from the point of view of the workers’ interests, the Office will submit a report to the Commission of Enquiry.

(b) Work done at the Meetings of February 23rd and 26th last on Questions connected with the Disposal of Existing and Future Stocks of Grain.

1. The Commission invited the grain-exporting countries of Central and Eastern Europe and the European importing countries to meet and make a common effort to find

1 In accordance with the decision of the Commission of Enquiry at its meeting on January 19th, 1931, the Governments of Iceland, Turkey and the Union of Soviet Socialist Republics will be invited to be represented at the Commission’s discussions on this item of the agenda (Annexes 1a and 1b).
means of disposing of the grain surplus at present available. The meeting took place on February 23rd, 1931, and a Final Act (document C.E.U.E./E.C./8) was drawn up. The results obtained by the efforts of the signatories of this Act will be communicated to the Commission at its coming meetings.

2. A Committee was set up to study the problem of the export of future harvest surpluses. This Committee met on February 26th and made a report to the Chairman of the Commission of Enquiry for European Union (document C.192.M.75.1931.II.B). The Committee recommended that, agricultural phenomena being by their very nature liable to change, further consultation should, if found necessary, take place under the auspices of the Commission of Enquiry. The Committee also thought of submitting a supplementary report after the Conference convened at Rome before March 26th by the International Institute of Agriculture.

(c) Work on Agricultural Credits.

The Commission appointed a Committee of eleven members to deal with the question of agricultural credits. This Committee, which is to keep in touch with the work of the Financial Committee of the League, will hold a meeting before the May session, in order to be able to report to the Commission of Enquiry.

(d) Extension to Other Domains of the Principle underlying the Commercial Convention of 1930.

According to this principle, if a contracting State increases duties already in existence or imposes new duties, a procedure of notification and appeal is instituted in favour of the other contracting States.

The Belgian Government, from which this proposal proceeds, considers that this principle could with advantage be extended to other domains connected with the exchange of goods, the circulation of capital, the treatment of individuals, and the system of communications and transport.

The Belgian Government proposes to explain to the Commission its views on the putting of this principle into practice.

(e) The Treatment of Foreigners.

After the International Conference of November 1929, which was unable to arrive at an agreement, the Belgian Government took the step of asking six other European States—France, Germany, Great Britain, Italy, the Netherlands and Switzerland—to reconsider the problem with a view to laying down the broad lines of an agreement which would represent an improvement on the present situation. The representatives of certain of these countries have held several meetings and made certain progress.

The Belgian Government, which referred this question to the Commission of Enquiry, will make a statement on the essential facts of the problem and its inherent difficulties.

(f) Transmission and Transit of Electric Power.

This question, likewise raised by the Belgian Government, has already been dealt with in certain of its aspects by the Transit Organisation of the League. The Commission of Enquiry might request the Council to desire the Transit Organisation to consider the question and recommend it to invite the Belgian Government and the Norwegian Government, which has also displayed special interest in the subject, to be represented on the Committee which would be appointed to study it.

ANNEX 10.

C.184.M.70.1931.VII.

PARTICIPATION OF THE GOVERNMENTS OF ICELAND, TURKEY AND THE UNION OF SOVIET SOCIALIST REPUBLICS IN THE DISCUSSION ON ECONOMIC PROBLEMS.

A. LETTER FROM THE ICELANDIC GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

I have the honour to acknowledge receipt of your letter of January 23rd last, inviting the Icelandic Government to participate in the next meeting of the Commission for the study of the economic crisis of the world in so far as it affects the European countries, which meeting is to be summoned in May this year.
On behalf of the Icelandic Government, I beg to express my great appreciation of the said invitation, which is gladly accepted. I shall later have the pleasure to notify the name of the Icelandic delegate, and avail myself of this opportunity to express to you, Sir, the assurance of my highest consideration.

(Signed) Trygger Thorhallsson,
Prime Minister of Iceland.

C.184.M.70.1931.VII.
[C.E.U.E./14.]

B. LETTER FROM THE TURKISH GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

[Translation.]

I have the honour to acknowledge the receipt of your letter dated January 23rd, 1931, in which you were good enough to inform me that, in accordance with the decision of the Commission of Enquiry for European Union, Turkey is invited to take part in the Commission’s work. I have also noted the agenda for the next session. I have pleasure in thanking you for this communication, and in informing you that the Government of the Republic has decided to accept the invitation and to be represented at the next meeting of the Commission of Enquiry for European Union.

The Government of the Republic is convinced that the aim pursued by the States represented on the Commission of Enquiry for European Union can only be achieved by strict adherence to the generally recognised principles of the sovereignty of all the participating States, their equality at law, which is the basis of international relations and the character of the Union itself, which must not be in opposition to any group of Powers in other Continents or in Europe.

My Government trusts that the work of the Commission of Enquiry will lead to definite and practical results.

(Signed) DR. ROUCHDY.

C.156.M.53.1931.VII.
[C.E.U.E./13.]

C. LETTER FROM THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

[Translation.]

Moscow, February 6th, 1931.

I have received your letter of January 23rd, in which you inform me that the Commission of Enquiry for European Union has “decided to study the world economic crisis in so far as it affects the European countries as a whole, and to invite the Soviet Union to participate in this study”.

This communication, taken in conjunction with the French Government’s memorandum concerning the organisation of a European Union, which was officially communicated to the Soviet Government, and with the debates which took place at the last session of the Commission of Enquiry in so far as the Soviet Government is acquainted therewith, has left the said Government in a state of doubt as to a certain number of questions.

The replies of various Governments to the French memorandum with regard to the nature of the new organisation’s aims, and the most suitable methods of achieving those aims, contain a number of contradictions.

The Soviet Government has its own view on the causes of the permanent economic divergencies existing between the different States, and of the economic depression and crises which periodically arise in capitalist countries, as well as on the means by which humanity should seek and can attain effective solidarity between peoples; but it does not appear necessary to state this view here. Furthermore, it must be evident to all the States concerned that, without generally ensuring universal peace, and more particularly European peace, by eliminating the causes which threaten to disturb it, there can be no hope of the efforts to establish European solidarity in the economic or any other sphere achieving any degree of success. The “bourgeois” economists themselves acknowledge the indissoluble connection between the political unrest, which at present exists and which is continually growing more profound throughout the world, with the constant increase in armaments, which in certain countries represent as much as 40 per cent and 50 per cent of the national budgets, and the more and more serious international economic antagonisms which are developing simultaneously with the economic crisis within each country.
It is equally obvious that it is impossible to pursue the aim of improving the relations between the different States and of consolidating between them that peace which forms the necessary foundation of any economic co-operation and at the same time to try to oppose some of these States to others. In the same way, if the aim is a union of Europe as a geographical unit, without specifying that this union only applies to States based on a given social and political system, it must be acknowledged that the participation of any particular State in this union must follow automatically from its geographical situation, and this no discussion can modify; the union must comprise all countries belonging to this geographical unit, even as regards only a small part of their territory.

In view of the self-evident nature of these considerations, it is incomprehensible and surprising that a group of European States should arrogate to themselves the right to decide on the admission or non-admission of another group of European States to a community which claims the title of "Pan-European". The singularity of this fact is not lessened when we see, for example, Switzerland, whose territory is only 0.4 per cent of the area of Europe, or even Norway, for which the corresponding figure is 3.1 per cent, pronounce against or question the admission of a country like the Soviet Union, occupying in Europe alone a territory forming nearly 45 per cent of this continent, and nearly twice the size of the combined areas of Belgium, Denmark, France, Netherlands, Norway, Roumania, Spain, Sweden and Yugoslavia. In considering this question, it is necessary to reject altogether as entirely inappropriate all arguments and conclusions of a legal and purely abstract nature, which might be suitable in an assembly of lawyers but not in an international political assembly comprising the statesmen responsible for the conduct of foreign affairs in a large number of countries. If, however, in spite of the title of the body from which the invitation received by the Soviet Union emanates, the intention is not to establish a general union of European States, but to establish within the continent of Europe two groups of countries separated by purely legal or by political and social characteristics, we are inevitably led to ask whether equal and equivalent rights will be given to the two parties in this organisation in their contemplated co-operation.

The resolution of the Commission of Enquiry for European Union says that the latter "has decided to study the world economic crisis". It is not clear, however, from this text whether the Commission proposes to confine its activities to this question, or whether it reserves the right to bring other questions within its scope at any moment; and whether, in the latter case, the discussion of these questions will be undertaken only by a group of European States or by all these States. This question is a natural one, since in the course of the debates of the Commission of Enquiry the opinion was expressed that questions might come before the Commission which would be very difficult to discuss in the presence of a representative of the Union of Soviet Socialist Republics, but it was not stated whether this was because those questions were of no interest to the Union of Soviet Socialist Republics or because they interested it too closely. If this idea was adopted by the Commission as a whole, the Soviet Union might have to participate in the work of a Commission which would take steps to prevent its representatives from sharing in the discussion of questions of the most immediate concern to them and in which, in fact, they were the principal party concerned.

The Soviet Government, realising that it cannot hope to have any light thrown on these questions outside the meetings of the Commission, and that it would probably be embarrassing for the Commission to give definite replies, has decided to take part in the forthcoming proceedings of the Commission of Enquiry for European Union, while reserving its final attitude to the Commission's future work until it has received the necessary enlightenment and until it has itself studied the Commission and the nature of the unification which the inviting section of the Commission has in view.

In taking this decision, the Soviet Government has been guided by its constant desire to contribute to the success of all steps which, with its help, may be directed towards the consolidation of universal peace, and more particularly of European peace; at the same time, it takes its stand on the principles, theoretically recognised in the French memorandum, of the sovereignty of States and of their equality of rights, and on the idea that the new organisation cannot "be opposed to any ethnographical combination . . . either in Europe itself or in other continents".

(Signed) M. Litvinoff.
PARTICIPATION OF THE GOVERNMENTS OF ICELAND, TURKEY AND THE UNION OF SOVIET SOCIALIST REPUBLICS IN THE DISCUSSION ON ECONOMIC PROBLEMS.

1. LETTER FROM THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS TO THE GOVERNMENTS OF ICELAND, TURKEY AND THE UNION OF SOVIET SOCIALIST REPUBLICS.

Geneva, April 1st, 1931.

I have the honour to inform you that the third session of the Commission of Enquiry for European Union will open on Friday, May 15th, 1931, at 11 a.m., at the Secretariat at Geneva.

I enclose the provisional agenda of the session as drawn up by the Organisation Sub-Committee which sat on March 24th and 25th. It will be seen from this document that certain Governments reserved their liberty to suggest at the May session a change in the order in which the questions will be examined. I regret, therefore, that I cannot state exactly when the Commission will begin its examination of the questions which appear on the provisional agenda under Item III.

(Signed) Eric DRUMMOND,
Secretary-General.

2. LETTER FROM THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

[Translation.] Moscow, April 23rd, 1931.

I have received the letter dated April 1st in which you were good enough to inform me that the third session of the Commission of Enquiry for European Union will open on Friday, May 15th, 1931, at 11 a.m., at the Secretariat of the League of Nations.

You enclosed with your letter the provisional agenda of the session, consisting of three items:

I. Report of the Organisation Sub-Committee on the constitution, organisation and procedure of the Commission;

II. Proposal regarding the participation of the Free City of Danzig in certain of the Commission's proceedings;

III. Economic questions: the world economic crisis in so far as it affects Europe as a whole.

A note to Item III states that, in accordance with the decision of the Commission of Enquiry at its meeting on January 19th, 1931, the Governments of Iceland, Turkey and the Union of Soviet Socialist Republics will be represented during the Commission's discussions on this item of the agenda.

It is to be inferred from this statement that the three countries mentioned are not to be represented during the discussions on the first two items of the agenda. It seems to me that such an interpretation would be inconsistent with the previous decision of the Commission of Enquiry. This decision stated that the Commission had decided "to study the world economic crisis in so far as it affects the European countries as a whole, and to invite, through the Secretary-General, the Governments of Iceland, Turkey and the Union of Soviet Socialist Republics to participate in this study". So long as the Commission has not placed any other question on its agenda, this decision means that the three countries mentioned are taking part in all the Commission's proceedings. But a country which is taking part in all the proceedings of a Commission is entitled to express its views as to the form of organisation of the Commission, its constitution, its composition and its methods of operation, because these various questions of procedure are bound to influence the lines on which the Commission will work, and even its actual decisions. This right is unquestionable, unless the participation of any particular country has been limited to certain specified questions; but the Commission of Enquiry for European Union has not taken any such decision in respect of the Soviet Union or Turkey or Iceland. If, therefore, the decision of the Organisation Sub-Committee means that the three countries in question will be excluded from the discussions on the first two items of the agenda, that decision is necessarily inconsistent with the decision reached by the Commission of Enquiry on January 19th; or else it means that the Sub-Committee in settling in advance
a question which was, to say the least of it, still open — viz., that of the participation of three European countries in the examination of any material problems which the Commission of Enquiry might subsequently place upon its agenda. If this latter point is answered in the affirmative, the three countries "invited" are indisputably entitled to take part in the settlement of questions of procedure. In excluding the three countries from the debate on these questions, the Organisation Sub-Committee is clearly acting on the assumption that those countries are only to be associated in the decisions on certain problems, and not on all the problems with which the Commission of Enquiry has to deal. I do not see, however, on what that assumption is based.

Attributing a restrictive sense to the Organisation Sub-Committee's decision, you thought it necessary, Sir, to inform me that you could not state exactly when the Commission would begin its examination of Item III of the provisional agenda — doubtless assuming that the delegation of the Soviet Union was only to arrive in Geneva in time for that date. I regret to observe also that you do not state by whom that date will be determined. In other words, you invite the delegations of three European States to come to Geneva without giving them any exact date. Whereas, on receiving your first invitation to the European Commission, I had to call attention to the obscurity and ambiguity of the decision reached by the Commission on January 19th, and to say that the delegates of the "invited" States would have to proceed to Geneva to ascertain more definitely the meaning of the invitation, I am now obliged, after your second communication, to observe that the delegates of the "invited" States are asked to come to Geneva to ascertain also the date of the invitation. It would be hard, I think, to find any other instance of such a method of invitation, whether in Europe or elsewhere. Such invitations might be objectively interpreted as designed to provoke a refusal on the part of those invited, were it not necessary to allow for the sincerity and frankness which is absolutely essential in the organisers of so vital a cause as that of the unification of Europe.

Trusting that you will be good enough to bring the foregoing to the notice of the organisers of the third session of the Commission of Enquiry for European Union, I have the honour to inform you that the delegation of the Union of Soviet Socialist Republics will hold itself in readiness to arrive at Geneva between May 15th and 25th, and will await notice of the exact date on which it is invited to proceed thither; I must ask you to note that the delegation cannot travel from Moscow to Geneva in less than four days following the receipt of such notice.

(Signed) M. Litvinoff.

3. TELEGRAM FROM THE TURKISH GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

I have the honour to acknowledge the receipt of the letter dated April 1st, 1931, in which you informed me that the next session of the Commission of Enquiry for European Union will open at Geneva on May 15th but that a provisional agenda having been drawn up by the Organisation Sub-Committee which met at Paris you are unable to inform me of the exact date on which the Commission might begin its examination of the questions appearing under Item III of the provisional agenda, reservations having been made by certain countries on this subject. While thanking you for this communication, I must point out that in your letter dated January 23rd, 1931, inviting the Government of the Republic to take part in the proceedings of the Commission of Enquiry you informed me that the next session of the Commission would take place in May at a date to be fixed later and that the work which it proposed to undertake was to study the world economic depression in so far as it affects Europe as a whole. What you have described, however, as the provisional agenda drawn up by the Organisation Sub-Committee does not appear to derive from the resolution in virtue of which you were good enough to invite my Government to take part in the proceedings of the Commission of Enquiry. At the same time it should be pointed out that, since — to judge by its provisional agenda — the Commission has to determine its own method of procedure, I do not see how we could usefully co-operate in the proceedings of a Commission which had adopted for its work methods decided upon in the absence of certain of its members and without their knowledge. The Government of the Republic which is still of opinion that the preparatory work of the Commission cannot be fruitful unless the projected Union rests from its inception on the solid foundations of the legal equality of all the participating States and which is resolved to give proof of the spirit of international co-operation which it has never yet ceased to display will hold its delegation in readiness to proceed to Geneva between May 15th and 25th. I shall be obliged, Sir, if you will inform me in good time of the exact date at which the Turkish delegation is asked to be at Geneva. At the same time I would ask you to bear in mind that the Turkish delegation will require four or five days after the receipt of your final notice to travel from Ankara to Geneva. — Tevvid Rouchedy.
4. LETTER FROM THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS TO THE GOVERNMENTS OF TURKEY AND THE UNION OF SOVIET SOCIALIST REPUBLICS.

Geneva, April 29th, 1931.

I have the honour to acknowledge receipt of your telegram (letter) dated April 25th-23rd regarding the meeting of the Commission of Enquiry for European Union. I am communicating it to the members of the Commission, together with my reply.

After consulting the President of the Commission, I have the honour to inform you that, for the reasons stated in my letter of April 1st, we cannot foresee exactly when Item III of the provisional agenda will be examined by the Commission. We think it probable, however, that the Commission will begin its examination of Item III (Economic Questions) either on the afternoon of May 15th or on the morning of the 16th. You will doubtless conclude from this that it would be desirable for your delegation to be in Geneva by May 15th.

(Signed) ERIC DRUMMOND,
Secretary-General.


ADDITIONS TO THE AGENDA OF THE SESSION PROPOSED BY THE GERMAN GOVERNMENT.

LETTER FROM THE GERMAN GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

Berlin, April 14th, 1931.

[Translation.]

With reference to the rules laid down by the Organisation Committee concerning the fixing of the agenda of the Commission of Enquiry for European Union, I have the honour to propose on behalf of the German Government that the following two points should be placed on the agenda of the session of the above-mentioned Commission of Enquiry beginning on May 15th, under No. III (Economic Questions):

1. Development of Customs Relations in Europe.

Reason. — The German Government thinks it advisable to discuss once more the situation created by the present Customs relations in Europe and by the failure of the Geneva Commercial Convention of March 24th, 1930.

It also desires to make a communication with regard to the aims which it is pursuing in this domain in agreement with the Austrian Government. It further considers it desirable that the possibilities of effecting an improvement in European trade by granting preferential duties should again be discussed on this occasion.

2. Customs Exemption of Fuel for Motor Vehicles crossing the Frontier by Land, Water and Air.

Reasons. — The use of motor vehicles in European traffic has enormously increased in all the territory under consideration by land, water and by air in the last few years without the countries of Europe having taken this increase fully into account in their Customs legislation, particularly from the point of view of the granting of Customs exemption to motor fuel in traffic across the frontier. This circumstance has also hitherto prevented even those European countries which were disposed to take steps to meet the requirements arising out of this increase of traffic from effecting a settlement of the question.

A uniform solution taking equal account of the needs of European traffic and of the fiscal interest of the European countries therefore appears desirable.

(Signed) CURTIUS.
TELEGRAM FROM THE ITALIAN GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

Rome, May 12th, 1931.

[Translation.]

With reference to the proposals of the Organisation Sub-Committee with regard to the agenda of the Commission of Enquiry for European Union, I have the honour to propose that the Commission at its meeting to be held in Geneva on May 15th next considers — in accordance with the urgency procedure provided for in the proposals referred to — the desirability of discussing under No. III of the agenda the following point:

"To consider the most desirable means and the most appropriate procedure to enable the Commercial Convention of March 24th, 1930, to be put into force without delay with the accession of the largest possible number of European Governments."

Explanation. — The Italian Government takes the view, which has already been put forward by its representatives on various occasions at recent Economic Conferences held under the auspices of the League of Nations, that the Commercial Convention of March 24th constitutes an indispensable preliminary basis for the future development of action of any kind in the sphere of agreements between States. As, however, owing to the absence of agreement between the parties, the period ending April 1st, 1931, has expired without it being possible to put the Convention in question into force, it appears desirable to look for better means and possibly the better procedure to be followed to enable the question to be reconsidered without delay with a view to the attainment of the object referred to.

(Signed) GRANDI.

ANNEX 4.

CONSTITUTION, ORGANISATION AND PROCEDURE OF THE COMMISSION OF ENQUIRY FOR EUROPEAN UNION.

At its meeting on January 21st, 1931, the Commission of Enquiry for European Union set up a Sub-Committee, consisting of the representatives of Great Britain, Denmark, Finland, France, Germany, Greece, Italy, Poland, Portugal, Spain, Switzerland and Yugoslavia, to study the constitution, organisation and procedure of the Commission.

1. Before submitting to the Commission the outcome of the Sub-Committee's discussions, it may be well to recall in a few words the origin and character of the Commission.

It will be remembered that the Assembly expressed its conviction that close cooperation between the Governments of Europe in every field of international activity was of capital importance for the preservation of peace, and associated itself with the unanimous opinion of the representatives of the European Governments that such co-operation was necessary. It invited the Governments of the European States Members of the League of Nations to form themselves into a League Commission to pursue the enquiry. It was thus clearly specified that this Commission should be an organ of the League, but that it should be open to the Commission to pursue its enquiries in conjunction with non-European Members and with European non-member Governments. On this subject the
President of the Assembly said: “I am sure that I am expressing the unanimous opinion of the Assembly in saying that those States Members of the League which are not represented on the Commission just set up should nevertheless be entitled to send observers to the Commission’s meetings, so that they may submit their views should they think fit. I take it that the Assembly approves this proposal.”

2. It may also be well to call attention to the fact that after the Commission’s second session the Chairman was deputed to communicate to the Council the resolutions passed by the Commission, with a request that it take note of them and authorise the technical organisations and the Secretary-General of the League to take the necessary action. The Council, at its meeting on January 23rd, 1931, acted accordingly.

From all this we obtain certain essential facts regarding the constitution and organisation of our Commission. First, as we have already seen, the Commission is a League Commission, and it is its duty, as such, to report to the Council and Assembly, which will decide what action is to be taken on its resolutions. Under these conditions, therefore, the Commission may secure the assistance of the technical organisations and advisory committees of the League.

Secondly, those States Members of the League which are not represented on the Commission are entitled to send observers to its meetings and submit their views should they think fit. These States share, moreover, in the general supervision exercised by the Council and the Assembly over all the Commission’s proceedings.

3. Acting as a League Commission, the Commission of Enquiry is subject, generally, to the usual rules for such commissions, but it can, of course, make special rules of its own. For example, the Commission has already agreed that each Government may be represented by a delegate and, if it so desires, by a deputy-delegate. Again, the Commission has already invited certain European Governments not members of the League to take part in the study of the world economic crisis in so far as it affects the European countries as a whole. Further, it has set up ad hoc Committees of its own members to deal with special questions. Naturally, it retains the right to set up other such committees in the future, on the understanding that, in each case, it will decide upon their composition, the subject with which they are to deal, and their duration. In each case, such committees should include representatives of the States specially interested in the questions under consideration.

For the better organisation of our proceedings, it would doubtless be well to ask any Member who many wish to place a question on the agenda of any session to inform the Secretary-General not less than one month before the opening of the session. With the Chairman’s approval, the Secretary-General could then send out a provisional agenda to all Members three weeks before the beginning of the session. Every request to have a question placed on the agenda should be accompanied by a statement specifying in detail the subject in question and its European aspects.

At the first meeting of each session the Commission would fix its final agenda, and questions which were referred to the Commission but were not on the provisional agenda could not, of course, be discussed at the current session unless, for reasons of urgency, the Commission so decided. The Commission could always refer any question submitted to it to an ad hoc sub-committee for a preliminary opinion before deciding whether to place it on the agenda.

The Commission has already laid it down that, in principle, its proceedings shall be public. It might be arranged that, following the practice of the League Council, the Commission shall hold a private meeting at the beginning of each session for the purpose of fixing the final agenda.

Every year, after the Assembly of the League of Nations, the Commission would elect its Chairman and its Vice-Chairman.

The Secretary-General of the League of Nations would always act as Secretary to the Commission.

ANNEX 5. [C.338.M.151.1931.]

PROPOSALS FOR REMEDYING THE PRESENT EUROPEAN CRISIS.

MEMORANDUM FROM THE FRENCH GOVERNMENT.

Summary.

The French Government desires to submit to the Commission of Enquiry for European Union a constructive plan affording prompt and practical solutions for the most urgent economic problems by which Europe is at present faced.
I. Agricultural Problem.

This problem, which consists primarily in facilitating the disposal of the cereals produced by the countries of Central and Eastern Europe, has already been considered by the Conferences of Geneva, Paris and Rome. The London Conference which is to meet on May 18th should contribute to its solution.

Being convinced, however, that the distress of the countries in question is largely due to inadequate prices, the French Government proposes that the measures already in contemplation (disposal of stocks, creation of an exporters' union, scheme for international agricultural credit, etc.), should be supplemented, as those concerned desire, by the institution of a preferential system for their grain up to specified quotas fixed periodically, and open to revision.

The French Government offers no opinion as to whether in exchange for such a regime the grain-exporting countries should not or should grant equivalent concessions to the importing countries. It considers, however, that such concessions should in any case apply to all third parties.

II. Industrial Problems.

To mitigate the crisis of over-production and its consequences, the French Government, which is much impressed with the inadequacy of the results secured by direct efforts to bring about a simultaneous reduction of Customs tariffs, recommends that the method of separate international agreements should be returned to and extended. It is of opinion that this method, which has already proved its efficacy, would contribute very considerably to the organisation of the European market, and would also, if pushed to its logical conclusion, make it possible to secure a reduction of tariff barriers more easily than could be done by general conventions.

It does not, however, reject any of the other contemplated methods for obtaining this result, and considers it necessary to persevere in the negotiations on this subject already initiated between various countries.

III. Special Position of Austria.

The French Government considers that in view of the difficult position of Austria it is the duty of the Powers to which that country has given an undertaking not to alienate its independence, to contribute to its material development, on the understanding that Austria on her side will do all in her power to improve her economic situation.

The French Government proposes that Austria's chief customers should grant special facilities to her trade. This system should be concerted among all the countries concerned, and, if equivalent concessions were demanded, they should not be preferential in character.

IV. Credit Problems.

The execution of a programme of effective European collaboration should tend to ease the general strain — an essential condition for that financial co-operation which is indispensable.

This co-operation can, of course, in its initial stages, take the form of ordinary banking operations.

Moreover, the putting into effect of the scheme for agricultural mortgage credit prepared by the Financial Committee will make it possible to meet the special needs of the countries of Central and Eastern Europe.

Lastly, the French Government considers that in a more general way a special effort should be made to make it easier to float large Government loans — whether for the purpose of stabilisation or productive expenditure — on the best possible terms. It proposes that the Financial Committee should be instructed to arrange on a permanent footing, and by means of a special bureau, for the preparation and issue of these loans in the general interest and on the widest international basis.

In the French Government's view the solutions contemplated under Nos. I and III, being designed to meet abnormal and temporary difficulties, can only be exceptional, temporary and limited.

Moreover, the French Government considers that the programme put forward by France implies, if it is to be carried through in its entirety, a general desire for a more peaceful atmosphere, and consequently a determination to eliminate everything that might impair the necessary co-operation among all the countries of Europe.

Memorandum.

The Commission of Enquiry for European Union has decided to open a discussion on "the world economic crisis in so far as it affects Europe as a whole".

Moreover, after it was known that the Austro-German Customs Union Protocol of March 19th, 1931, had been signed, the German Government proposed that the Commission should place the question of European tariff policy on its agenda.

The tariff problem is only one aspect of the general economic problem. The French Government therefore does not think it necessary to state separately its views on the best remedies for the economic depression and its suggestions regarding the proper lines for the tariff policy of the European countries.