LEAGUE OF NATIONS

COMMISSION OF ENQUIRY FOR EUROPEAN UNION

MINUTES OF THE FOURTH SESSION OF THE COMMISSION

Held at Geneva from September 3rd to 5th, 1931.

Geneva, October 30th, 1931.
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President: His Excellency M. Giuseppe Motta (Switzerland), Federal Councillor, Head of the Political Department.

Albania: His Excellency M. Lec Kurti, Resident Minister, Permanent delegate accredited to the League of Nations.

Austria: His Excellency Dr. Johannes Schober, Vice-Chancellor and Minister for Foreign Affairs.

Belgium: His Excellency M. Paul Hymans, Minister for Foreign Affairs.

British Empire: The Right Honourable Viscount Cecil of Chelwood, K.G.

Bulgaria: His Excellency M. Vladimir Molloff, Member of the Chamber of Deputies, Former Minister for Finance.

Czechoslovakia: His Excellency M. Eduard Beneš, Minister for Foreign Affairs.

Denmark: His Excellency Dr. Peter Munch, Minister for Foreign Affairs.

Estonia: His Excellency M. Jaan Tönnisson, Minister for Foreign Affairs.

Finland: His Excellency Baron A. S. Yrjö-Koskinen, Minister for Foreign Affairs.

France: His Excellency M. Pierre Flandin, Minister for Finance.

Germany: His Excellency Dr. Julius Curtius, Minister for Foreign Affairs.

Greece: His Excellency M. André Michalakopoulos, Vice-President of the Council of Ministers.

Hungary: His Excellency M. Louis Walko, Minister for Foreign Affairs.


Italy: His Excellency M. Dino Grandi, Minister for Foreign Affairs.

Latvia: His Excellency M. Karlis Ulmanis, Prime Minister, Minister for Foreign Affairs.

Lithuania: His Excellency Dr. Dovas Zaunius, Minister for Foreign Affairs.

Luxembourg: His Excellency M. Joseph Bech, Minister of State, Prime Minister, Minister for Foreign Affairs.

Netherlands: His Excellency Jonkheer F. Beelaerts van Blokland, Minister for Foreign Affairs.

Norway: His Excellency M. Birger Braadland, Minister for Foreign Affairs.

Poland: His Excellency M. Auguste Zaleski, Minister for Foreign Affairs.

Portugal: His Excellency Dr. Augusto de Vasconcellos, Minister Plenipotentiary, Permanent Delegate to the League of Nations, Former Prime Minister and Minister for Foreign Affairs.


Spain: His Excellency M. Alejandro Lerroux, Minister for Foreign Affairs.

Sweden: His Excellency Baron S. G. F. T. Ramel, Minister for Foreign Affairs.

Switzerland: His Excellency M. Giuseppe Motta, Federal Councillor, Head of the Political Department.

Yugoslavia: His Excellency Dr. Voislav Marinkovitch, Minister for Foreign Affairs.
GOVERNMENTS INVITED.

_Free City of Danzig_: His Excellency M. Auguste Zaleski, Minister for Foreign Affairs of Poland.

_Dr. Arthur Grünspan._

_Iceland_: His Excellency M. Sveinm Bjoeransson, Minister at Copenhagen.

_Turkey_: His Excellency Dr. Tevfik Rouchdy Bey, Minister for Foreign Affairs.

_Union of Soviet Socialist Republics_: M. Maxime Litvinoff, People's Commissar for Foreign Affairs.

OBSERVERS.

_Canada_: Dr. Riddell, M.A., Ph.D., Dominion of Canada Advisory Officer accredited to the League of Nations.

_Japan_: M. Nobumi Ito, Assistant Director at the Japanese League of Nations Office.
FIRST MEETING (PRIVATE, THEN PUBLIC).

Held on Thursday, September 3rd, 1931, at 11 a.m.

Chairman: M. Motta (Switzerland).

35. Election of the Chairman.

On the proposal of M. Flandin (France), seconded by M. Grandi (Italy), the Commission unanimously elected M. Motta (Switzerland) Chairman pending the arrival of M. Briand. (M. Motta took the Chair.)

36. Opening Speech by the Chairman.

The Chairman [Translation]. — I should like to express my sincere thanks for the honour you have done me and the confidence you have shown in me. I know that I have no special claim to this post of honour; I may perhaps say that your choice is to be taken as a tribute, not to me personally, but rather to the general ideas that govern my country's policy — that is to say, friendship towards all nations and complete impartiality in the international sphere.

I would like to make it clear that I am occupying this chair purely provisionally. I agree to direct your proceedings for the present session. The Chairman of this Commission is still M. Briand, to whom the Commission will wish to offer its best wishes and respects. We hope M. Briand will be entirely restored to health when he reaches Geneva next week, and that he will himself report to the Assembly on our proceedings and present the full account of our work which it falls to our Chairman to submit.

37. Adoption of the Agenda of the Session.

On the proposal of the Chairman, the Commission determined its agenda and decided to discuss first the report from the Co-ordination Sub-Committee on economic questions. (The Commission went into public session.)


M. Bech (Luxemburg), Chairman and Rapporteur of the Co-ordination Sub-Committee [Translation]. — When my colleagues asked me to present the report of the Co-ordination Sub-Committee (Annex 1), it was not my colleagues' intention that I should give you an analysis of the weighty matters placed before us or develop by word of mouth the conclusions of our report. Were I to comment on this report, which was drawn up by a Drafting Committee with the utmost care, I might, quite likely, distort its meaning, since the questions discussed in it are extremely complicated. My instructions are, rather, to state that, according to the Sub-Committee's idea, the documents placed before you form a single whole, the report from the Co-ordination Sub-Committee constituting, so to speak, the introduction.

In addition to the report in question, you have the reports from the Sub-Committee of Economic Experts (Annex 2), the Committee of Credit Problems (Annex 3), the Cereals Committee (Annex 4), and the Unemployment Committee (Annex 5). This collection of documents is completed by the Minutes of the meetings of the Co-ordination Sub-Committee. In the introductory part of the report, we have tried to group and co-ordinate the various questions that have been examined and which are examined in detail in the body of the report. We have also endeavoured to bring out the very close connection between all these subjects.

Needless to say, the Sub-Committee regrets its inability to devote more time to the problems before it and thus carry out to your entire satisfaction the task entrusted to it by the Commission of Enquiry last May. That task was particularly wide. It was:

"To co-ordinate and, where necessary, to amplify the conclusions that will be submitted to it after the special meetings of the Committees of experts, but its competence will not necessarily be limited to the questions dealt with at those meetings. On the contrary, the economic sphere with which it will deal is to be conceived on the widest lines."

Originally, the Sub-Committee was to have met on July 6th, so as to be able to communicate its report to the Commission of Enquiry in good time. Exceptional circumstances, the development of the economic depression and the immediate remedies that various countries were obliged to take in order to cope with urgent emergencies, necessitated the postponement of the meeting until the end of August. The Sub-Committee now sets before you the result of its work during the last three days.
In conclusion, let me stress one point. The guiding idea which has emerged from our proceedings and which will be found in nearly all the reports from the experts is that to achieve any improvement in the European situation the prime necessity is confidence both in the stability of the economic system in which capitalists, traders and business men move and have their being, and in the stability of international political relations.

In this connection, I should like to quote once again from the report of the economic experts:

"It is for the Governments, supported by public opinion, to make efforts to achieve closer co-operation and mutual support in order to restore a better state of affairs."

I feel quite certain that the Commission of Enquiry, which includes so many statesmen responsible for their countries' policy, will achieve that closer co-operation and mutual support.

M. SCHOBER (Austria) [Translation]. — The report of the Sub-Committee of Economic Experts courageously asks whether, by a new conception of European co-operation, it would not be possible to bring about a new state of affairs which would promote both an economic revival and lasting peace in Europe.

The Sub-Committee has considered, among other matters, the conditions with which Customs unions should comply if they are to achieve that end.

The report marks substantial progress in the study of the problem of European union. The ideas expressed bear closely on the motives which last March led the Austrian and German Governments to enter into negotiations for a Customs Union. It was clear from the beginning that this scheme could only be realised on condition that other States were prepared to participate in it. We all know how this question developed. In view of this situation, and as the problem of Customs unions has been placed on the agenda of the Commission of Enquiry for European Union, we have come to an understanding with Germany as to our future attitude.

The Austrian Government realises from the events of the past few months that, notwithstanding its intentions, the application of the proposed Customs Union might raise obstacles to confident co-operation between European States. The Federal Government, which takes the view that the advantages of such co-operation are closely bound up with the interests of Austria, therefore declares that it does not intend to pursue the project for a Customs Union.

I hope this declaration will be an essential element in bringing about the necessary general appeasement and in creating an atmosphere in which Governments will be able to co-operate constructively. For various reasons — which the organs of the League of Nations are studying — the economic depression, not only in Austria and Germany, but also in a large number of European States, has extended and become very much worse during the last few months. There has been a critical loss of confidence which is shaking the foundations of European economic life. My declaration — which I take this opportunity (the first that has arisen) to make — is a contribution towards the restoration of mutual confidence.

European co-operation must now become a reality and positive results must be achieved. Austria is doing all she can to help herself. She has recently concluded new commercial treaties with Hungary, Czechoslovakia, Yugoslavia and Roumania and is negotiating an arrangement with Italy. I think I am entitled to say we have not been lacking in initiative.

It is obvious, however, that these negotiations alone will not remedy the present economic depression or create the conditions necessary to sound economic development. In these circumstances, the Austrian Government is the more ready to co-operate in general European action and, as I stated in May, it will give loyal and serious consideration to any proposal in this connection.

In my opinion, the ideas which I expressed here a year ago are perfectly correct. It is impossible for the twenty-seven European States simultaneously to prepare one economic statute applicable to all. This aim can only be attained step by step, by groups of States. All the concrete proposals which have been put forward since that time are in harmony with this principle — for instance, the negotiations for tariff reductions now in progress between Great Britain and the principal continental countries, which are of particular importance to British trade. Austria is playing a modest part in these negotiations. She has been unable, pending the result of her own negotiations with her neighbours, to give Great Britain a favourable reply. Now those negotiations have been concluded, she will endeavour to do so. I believe that a satisfactory conclusion to the negotiations between the continental countries and Great Britain would have a decisive influence on European commercial policy.

The French delegation made a proposal last May to the effect that preferential duties should be granted to the countries of Eastern Europe for certain quantities of cereals, and that Austria should be at liberty to accept preferential duties for certain of her exports. Preferential duties on cereals have in the meantime been embodied in several treaties. The consent of the most favoured nations is, however, required to give them practical effect.
The proposal to grant Austria preferential duties has not as yet been discussed. I can best promote this discussion by frankly stating my own views on the matter.

Austria is not in a position to secure unilateral preferential duties except in the case of countries whose exports into Austria have hitherto been far larger than their imports from Austria. In the case of other countries, the most she can hope for is the grant of reciprocal preferential duties. The objections would be greatly diminished if Austria extended the facilities granted to particular countries in return for preferential duties to all countries according her preferential tariffs. There would still remain the difficulty that free trade countries are, as a matter of course, not in a position to grant preferential duties to any country. They admit imports from all countries duty free, or almost duty free. I maintain that such free trade countries should be granted most-favoured-nation treatment in respect of the facilities granted by Austria to which reference has been made. Whether the plan of granting preferential duties to Austria can be carried into effect depends on the attitude adopted by the Commission of Enquiry for European Union.

It is almost certain that, after a review of the proposals that have been made, up to the present, in various quarters, no one will consider that fully satisfactory suggestions for European co-operation have yet been discovered. Other methods must therefore be examined. In the first place, the possibility of successfully establishing mutual free trade between countries which are ready for it should be considered. This is not merely the most effective way of creating larger economic units. It is also a means of proving that, paradoxical as it may seem at first sight, it is easier to establish mutual free trade than to make large tariff reductions.

I should not like to anticipate the subsequent examination of this question, and I therefore only suggest that a Sub-Committee should be appointed to lay down in statutory form what are the essential features of a Customs Union.

M. Tönisson (Estonia) [Translation]. — When two years ago, at the tenth session of the Assembly, M. Briand put forward the idea for European Union, the warmest supporters of that idea were plainly very doubtful of its chances of immediate success. Since then, however, much has been done to bring about the economic consolidation of Europe. We are glad to see to-day fresh evidence of the progress of this undertaking.

Nevertheless, this progress towards the adjustment of the economic interests of Europe will not suffice to restore complete harmony between the various nations; it requires to be confirmed and upheld by an enlightened conception of the whole system governing international relations.

The foundation of a community of the European nations on the basis of the ideas and convictions now current presents difficulties that are in some cases insurmountable. The melancholy result of the Hague Conferences was due, not only to the political difficulties resulting from the rivalry of the great Powers of Europe, but also very largely to the idea of international law held by the pre-war generations. The notion of an absolute and exclusive sovereignty was so firmly implanted in men's minds at that time that the work of pacification undertaken at the Hague Conferences seemed crazy, not only to the great bulk of the public, but to the best jurists as well.

A new order had to be born in international life before the sovereign States could accept the interference of a higher authority in their political life. It needed the full weight of a universal catastrophe to bend their minds to the conception of the League of Nations; and even now the recent history of the League itself proves the survival of the influence of those old theories in the settlement of international problems. The solution of the question of sanctions against a peace-breaking State is delayed less by the aversion of States to incur the risk of the material sacrifices demanded by measures of coercion than by the persistence of this conception of legal nationalism.

It would therefore seem particularly desirable for our Commission to take the initiative in a movement that is calculated to bring about an evolution of theoretical notions and the advent of a new form of public law which will be really European. With this aim in view, the Commission might invite Governments to promote by all suitable means — the Press, the schools and propaganda on the screen and by wireless — the spread of the European idea among the general public.

Dr. Curtius (Germany) [Translation]. — This is not the place in which to speak of the dire distress by which so many countries are beset and in which my own country is particularly deeply involved, although we are constantly preoccupied with our position in every step we take. During these meetings at Geneva we shall, I feel sure, find an opportunity to consider, within a larger framework, the general tasks that are imposed upon us by the present state of affairs. To-day I shall deal merely with the concrete questions referred to in the report of the Co-ordination Sub-Committee.

The reports of the three Sub-Committees all aim at the same goal of economic collaboration in Europe with the object of adjusting the conditions of production, extending
markets, and achieving a closer union between the European countries in the economic sphere. That being so, the work of co-ordination was easy. The three Sub-Committees have themselves co-ordinated their work along this common line, because they all three realised the necessity for the evolution of Europe as a whole along this line. I am very pleased to note that fact.

The German delegation, like others, would have desired that certain points of view should have been more fully developed in the three reports, and that certain proposals should have been interpreted in a more elastic way. We do not however insist on our wishes in that respect. We were and we still are prepared to accept the reports as they stand. I trust that other delegations will see their way to do the same. If every country were to insist upon that particular aspect of a problem with which it was most concerned, we should not advance in our common work. We must meet one another half way, and the via media of the experts represents a useful balancing of interests.

Ever since the Roumanian Minister of Commerce, M. Madgearu, made it clear at Geneva that the economic existence of certain European countries could not be maintained without a preferential duty for grain, and suggested a system of preference for those countries, his proposal has been warmly discussed again and again. At that time, most countries reacted negatively, because the acceptance of the proposal would apparently entail the abandonment of the most-favoured-nation system. Since then, the idea of a preferential system has been further discussed at many conferences; it has been considered from every angle, both as regards its conditions and its effects, particularly as regards its bearing on the most-favoured-nation clause. These discussions have made it clearer than ever to all concerned that the system based upon the most-favoured-nation clause must remain the basis of the commercial life of Europe and the world. They have shown plainly the serious disturbances that would be caused by the abandonment of that system.

If we are to have preferential arrangements, we must be careful not to go astray so far as to sanction a whole system of preference. There is no question of replacing the most-favoured-nation system by a new system; all we are proposing to do is to authorise, upon certain definite conditions, an exception to the most-favoured-nation clause, an exception that will be limited both materially and in time and will be known and recognised openly.

The conditions were clearly set forth at the various conferences. The decisive point in allowing this exception is that the economic structure of certain European countries is based entirely upon the possibility of exporting grain, and their whole economic existence is imperilled as soon as that possibility is removed.

The development in the output of grain and in the grain markets outside Europe has made it impossible for those countries for the moment to export their wheat on tolerable terms. We must all hope that we shall succeed in putting an end to the abnormal conditions obtaining at present. If we do so, the countries I have mentioned will be able to resume their normal exports. Everybody, I am glad to say, recognises the need for pan-European co-operation in this matter. I appeal to all countries to do nothing to prevent the success of this attempt at European co-operation.

I come now to the report of the Sub-Committee of Economic Experts. All who are familiar with the poverty caused by the economic sub-division of Europe will read that report with the greatest satisfaction. It will, I hope, one day be regarded as the starting-point of a new movement in the economic history of Europe. The German Government will do everything possible to promote the carrying out of the suggestions and proposals put forward.

The Sub-Committee, to which our Commission gave very wide powers to make proposals of all kinds for the improvement of production and trade in Europe, considers that the most important, or rather the only, means of arriving at any fundamental improvement in the economic fabric of Europe would be an economic rapprochement or union. The report speaks of a programme of closer economic union, a wider economic unit, a common market for the products of all countries in the continent of Europe. The Sub-Committee has not hesitated to say that it contemplates the conclusion of Customs unions as the final objective of this movement.

The report opens up a very broad horizon. No one present will fail to recognise the obstacles to the achievement of these ideas. There is, however, one thing which may give us cause for optimism. In the last analysis, the economic position will follow its own laws and evolve according to its own rules. It bears its motive force within it. We must recognise the forces and tendencies that are at work. We must fall in with the trend of evolution — for we cannot resist it — so that we may guide it in the right direction.

There is no better proof of the dawning comprehension of this task than the report before us. As short a time as a year ago, ten experts of widely different countries could never have met and agreed upon such a report. This year, the recognition of the absolute need for closer economic co-operation between the European countries has made such vast headway that it has become possible to produce such a report as this. The experts were borne along by the force of that recognition. That force will, I hope, be strong enough to carry the Governments also over all doubts and obstacles towards the goal set before us in the report.

The recommendations of the Sub-Committee of Experts are closely connected with the ideas which a few months ago led to the project of the German and Austrian Governments...
In putting forward a plan for a Customs union between our two countries, it was, from the outset, our idea that it should be the starting-point for wider economic agreements in which as many European countries as possible would take part. Since then, events have gone forward rapidly, so that the initial data have changed completely. We have before us here, in the Commission of Enquiry for European Union, certain schemes of a more general character. We wish to co-operate promptly in those schemes to the best of our ability. Expecting as we do a successful outcome for the work of the Commission of Enquiry, the German Government, in agreement with the Austrian Government, does not intend to go on with the plan originally contemplated.

With regard to the report of the Credits Committee, the Financial Committee in 1930 recommended that the assistance of the League should be limited to loans earmarked for the financial reconstruction of a country or for specific purposes such as the settlement of refugees, it being understood that the aid given by the League would not extend to loans intended for general economic purposes. That recommendation was approved later by the Council and the Assembly. True, last year the Financial Committee could not foresee the change in the movement of money and capital that has since occurred. That change justified the reconsideration of the problem in the plan which the French Government submitted to our Commission last May. The report from the Credits Committee represents a very sagacious half-way house between the League’s resolutions of 1930 and the French plan. Without attempting to demand the assistance of the League in loans as a fixed rule, the report leaves each country free, if it sees fit, to apply on its own initiative to the League for help in the issue of loans, but rightly advises that we should refrain from setting up, side by side with the Financial Committee, a special organisation for that purpose.

The report of the Credits Committee is completed in harmonious fashion by the valuable remarks of the Sub-Committee of Economic Experts on the relations that must exist between the movement of goods and the movement of capital. There must, the report says, exist a normal relationship between the circulation of goods and that of capital. If that normal relationship is not maintained, the result will be a disturbance of the economic equilibrium. This is not the place for a special discussion of inter-State public indebtedness; but any enquiry into the present crisis and the means for terminating it must take account of the inevitable disturbance caused by political debts in the normal, automatic movements of economic relations. Therefore, the report of the Credits Committee rightly stresses this cause of the present crisis, and refers to the report by the Basle Committee, which demonstrated very impressively the relation of cause and effect between public indebtedness and the present economic and financial emergency.

The report of the Credits Committee is an admirable document in all respects. There is only one point on which I cannot agree with it — namely, when it describes as premature, without however giving any reasons, the consideration of the scheme known as the “Francqui Plan”, which has recently attracted very wide attention. In what circumstances, I wonder, would be urgently desirable to carry out that plan, if not in the present circumstances? When, as we hope, conditions for lending and borrowing have become normal once more, when they have resumed as formerly, so to speak, their automatic way of operation, such plans might be allowed to fall into the background; but to-day, when all the threads have snapped, an instrument of credit like that which M. Francqui recommends may be of the greatest possible value. I am glad that the Sub-Committee of Economic Experts, unlike the Credits Committee, advises us to consider the scheme. I consider its execution to be one of the most urgent tasks before the Commission of Enquiry for European Union.

Although I have expressed satisfaction at the work of the Sub-Committees on many points, the results obtained are nevertheless modest when we compare them with the vast and overwhelming distress of the present time. Many will feel anxious doubts because, in this first year of our European Commission, we have failed, notwithstanding our joint efforts, to do something to bring more prompt and more tangible solace to our suffering peoples. We, however, must not allow ourselves to be paralysed by such doubts. The difficulties that we have steadily come to recognise more clearly in our work must impel us, with ever keener insistence, not to confine our efforts merely to the rapid achievement of what is practicable at the moment, but to address ourselves with courage and resolution to the great tasks that lie ahead.

M. FLANDIN (France) [Translation]. — I do not intend to continue the discussion on the whole of the report of the Co-ordination Sub-Committee, valuable and important as it is. Doubtless we shall have an opportunity to return to it later, in connection with the resolutions. I should like, however, to stress the importance of the statements made by M. Schober and Dr. Curtius.

I desire, on behalf of the French Government, to note the intention of their Governments not to pursue the proposal to form a Customs Union between their two countries.
I hope that the anxiety which was undoubtedly caused by that proposal will now be dissipated and that conditions more favourable to the development of European co-operation — which is the reason for the existence of this Commission and, indeed, constitutes its programme — will be created.

I need only recall the part which the French Government on the initiative of M. Briand, has played in bringing this Commission into existence to prove that my country and its Government desire, under all circumstances and with the help of you all, to seek practical means for consolidating peace by creating a genuine community of material and moral interests in Europe.

M. GRANDI (Italy) [Translation]. — The Italian delegation has noted with pleasure the declaration of the Austrian and German representatives that their Governments do not intend to carry out their proposal to form an Austro-German Customs Union. The Italian delegation appreciates the spirit in which that decision has been taken, and is happy to note that this special problem now ceases to be a matter for discussion.

The statements of the Austrian and German representatives are bound to make a favourable impression in every European country, because their decision not only removes a cause for uneasiness, but also shows a desire to offer that co-operation by which alone the economic depression — from which Germany and Austria together with the rest of the world are suffering — can be relieved.

M. KROFTA (Czechoslovakia) [Translation]. — On behalf of the Czechoslovak delegation, I desire to associate myself with the speakers who have expressed their approval of the main lines of the reports of the various Sub-Committees. As always, Czechoslovakia is prepared to co-operate effectively to bring about European economic rapprochement in the sense indicated in the experts’ remarkable report.

My country is particularly interested in everything connected with Austria — our immediate neighbour, with whom we have for centuries been in close touch. I welcome the Austrian Government’s decision which Dr. Curtius has confirmed, and which will, I think, contribute towards the pacification of Europe and will at the same time be of the greatest advantage to Austria herself. I am sure that we shall be able to co-operate satisfactorily in the interest of the tranquillity and prosperity not only of our own country but of the whole of Europe.

SECOND MEETING (PUBLIC).

_Held on Thursday, September 3rd, 1931, at 4 p.m._

Chairman: M. Motta (Switzerland).


TEVFIK ROUCHDY Bey (Turkey) [Translation]. — I have given the closest attention to the Co-ordination Sub-Committee’s report and will not hide from you that as regards its general tone, and more particularly the standpoint adopted in the introduction, I hold somewhat different views from those of its authors. I shall not discuss the substance of the report because that might lead us too far and take up time which we can ill afford. Moreover, though I do not accept the premises, I agree, in general, with the conclusions.

I feel, however, that M. Francqui’s proposal might have met with a better fate. In view of the great importance of the question to which it relates, the Commission of Enquiry for European Union might itself have set up a special committee in order to avoid any loss of time. M. Francqui’s proposal appears to me to be without doubt of real and positive value.

I pass to the report. When the work of this session of the Commission is at an end and we all return to our respective countries, I for one shall be asked for explanations as soon as the Turkish Grand National Assembly meets. Others, it may be, will find themselves in the same case. I shall no doubt have an easy task in dwelling on the complexity of the problems which have arisen and on the aspirations of us all, and in particular our method of procedure. But I should like, in order to remain as far as possible in harmony with the standpoint of the members of the Commission, to be able to read this document to the Turkish Parliament. In this connection let me say, taking my own case, that I think it would be very valuable to forward the Co-ordination Sub-Committee’s report to all the Governments, as proposed
in the report of the Economic Experts, with the request that the Governments should communicate it to their national Parliaments.

I think it would be instructive and desirable for the Commission to make itself acquainted with the views which may be formed — whether in the direction of approval, criticism or comment — by the representatives of the masses of mankind in Europe, I mean the qualified representatives of all classes. It is very possible and even probable that the consultation of these representatives will throw new light on our consideration of the subject. I think in making this proposal I am acting in the spirit of the conclusions of the report, and that our task will thereby be considerably facilitated.

Viscount Cecil of Chelwood (Great Britain). — As you are aware, there has recently been a change of Government in my country. The new Government was formed only two days before I left London, and has obviously not had time to go thoroughly into the questions we are discussing here and to give me full instructions. I am sure, however, that broadly speaking the British Government will welcome the very interesting and admirable report which has been presented to us to-day.

May I make one or two general observations ? The outstanding feature of the present crisis, as it seems to me, is that it emphasises, in a way no previous event has ever done, the essential interdependence of the States in the modern world. As recently as a year ago, no one anticipated the severity of the financial crisis which has since occurred. What happened ? There was first of all the failure of a very important financial bank in Austria. That caused great pressure on the neighbouring countries, including Germany, and placed them in financial difficulties. These in turn reacted on my own country, and the difficulties with which Great Britain was threatened — I do not know that they actually occurred — were viewed with considerable concern by many other countries.

The truth is that all countries are now so closely bound together that sooner or later whatever affects one affects them all. All stand and fall, live and die, together. One of the great questions which the Governments and the League of Nations will have to face is the extent to which and the speed at which they will recognise, by institutions set up in Europe, the very close economic and political interdependence of the modern world.

I admit the immense difficulties of any proposals that may be made in that direction, but I am in very close agreement with the German delegate's observation that whatever we do, the course of events will drive us to close co-operation. I believe that in co-operation is our only hope of overcoming the crisis.

My second general observation has even less pretence to novelty. In the reports we are considering, we are continually told that what is really the matter with the world is a sudden loss of confidence and of credit. That is the fundamental difficulty. It is expressed with great force and conviction in the report of the Sub-Committee of Economic Experts. I will read only one sentence which shows the consequence of this loss of confidence, and the way in which it directly affects the economic and financial crisis. The report says that the lack of confidence results in “ ... a flagging of the spirit of enterprise, the postponement of programmes already decided upon, the abandonment of the search for new markets, the limitation of the purchase of raw materials to daily requirements and the dismissal of workers “.

It would be impossible, in five phrases, to give a more complete account of the symptoms and consequences of the crisis through which we are now passing.

The next proposal, which follows from this, is that the problem is primarily and essentially psychological. It belongs to that order of phenomena with which we are familiar in our human relations — the phenomenon of panic, a sudden disbelief in the reality of things, and a sudden exaggeration of the dangers that may be anticipated. The real question before the statesmen of the world is how to restore confidence. The changes and reforms actually proposed do not go very far. That is inevitable. In dealing with a matter of this kind, we have to proceed prudently, and to examine any suggestions most carefully. My friend, the Turkish Minister, just now referred to M. Francqui's proposal, and suggested that it had been received too coldly. But he will agree with me that it requires very careful consideration.

It is true that certain relatively small changes, such as the facilitating of League loans, will be of great value, but they are not very far-reaching. Fundamentally, one great principle dominates everything — namely, European co-operation. The proposal that European co-operation should be extended is by far the most hopeful proposal contained in the reports — I am speaking for myself rather than for my Government — and it contains the key to progress. I am sure that we must look in that direction if we are to prevent very serious evils from occurring in Europe.

This is not only an economic remedy; it is of that hybrid type of remedy, the politico-economic. No doubt, in the Assembly and elsewhere, we shall have an opportunity of discussing the political side of this question more thoroughly than we are able to do in this Commission,
but do not let us lose sight of the fact that its purely political aspect is at least as important as its purely financial and economic aspect.

We must act and we must act quickly. The time has gone by when crises can be met by friendly meetings and soothing communiqués. We must take active and vigorous steps to relieve the tension and overcome the difficulties. From that aspect of the question, quite as much as from any other, I welcome very cordially the announcements of the Austrian and German delegates this morning. I feel they are evidence of a definite attempt at conciliation and I respectfully tender to Austria and Germany my heartiest thanks and congratulations for their efforts. I can only hope that in our discussions in the Assembly and elsewhere, we shall be able to find even wider and more effective remedies for the difficulties arising from the lack of confidence amongst the nations.

M. LITVINOFF (Union of Soviet Socialist Republics). — During the discussion in the Co-ordination Sub-Committee, I made certain reservations and gave a brief explanation of my attitude with regard to certain practical proposals. Now, when the Commission of Enquiry for European Union is taking a final decision on the Sub-Committee’s report, I am obliged to repeat my reservations; and, since the membership of the Co-ordination Sub-Committee does not quite coincide with that of the Commission of Enquiry for European Union, I will venture once again to expound briefly the motives which compel me to make these reservations. This is the more necessary in that the Sub-Committee’s report is a summary of the results of the preceding and the present sessions.

The report of the Sub-Committee of Economic Experts points, in almost every line of its introduction, to the existing international mistrust as one of the principal causes of the present economic crisis in Europe. We read there that the Sub-Committee:

“... was struck by the primary importance of the part played by the factor of confidence in aggravating the world situation. The growing international distrust is accentuating the effects of the crisis... and obstructing to an ever-increasing extent the whole mechanism of international trade. Lack of confidence... tends to paralyse and retard all forms and phases of economic life... Removing disturbing elements will help to revive trade... Any effort in this direction [the promotion of economic development and lasting peace in Europe] must... be based on a spirit of loyal co-operation and the laying aside of any feeling of distrust...”

The economic development of which Europe stands so much in need is dependent upon lasting peace. The same ideas underlie the report of the Basle Committee appointed this year on the recommendation of the London Conference.

The first thing we must ask ourselves is whether the Committee’s decisions will promote international confidence and encourage faith in a lasting peace. Whether we refer to international life on a world scale or limit ourselves to Europe, we must realise that international confidence means confidence between all nations, not merely between a limited group of nations. There may be complete solidarity between the majority of States. But if there is not perfect tranquillity in the relations between them and only one other State — especially should this State be an important one — there cannot be international tranquillity or confidence in a lasting peace.

If we speak only of the tranquillity of Europe, we must include all the European States. I represent here a State whose relations with other European States have so far left much to be desired in respect of mutual confidence. It may be stated without any hesitation that the unsatisfactory state of these relations is a most disturbing factor in international affairs in general and European affairs in particular. For this very reason, I dwelt in much detail at the May session of the Commission of Enquiry for European Union on the importance, for the world crisis, of taking measures through the Commission of Enquiry to guarantee the peaceful existence of two social-political systems in Europe — the system of the Soviet Union and the system of the other European States. Out of this, there arises a new question which is naturally of special interest to me. To what extent do the Committee’s decisions offer a satisfactory solution of this special problem?

I do not want to take up too much of your time, or to digress from the main theme of my statement. I will therefore not deal in detail with the report of the Co-ordination Sub-Committee, but will merely call attention to Section III (3), on preferential treatment, and Section V, on the Pact of Economic Non-Aggression. With the exception of the points relating to preferential treatment, the report consists in a statement of facts or avowals, and an outline for future work.

For over a century, trade agreements have been based upon the principle of the most-favoured-nation clause. No one will deny that this principle has considerably facilitated the conclusion of trade agreements, has introduced tranquility and stability into international economic relations, and has even contributed to the development of international trade. We are now asked to introduce into international practice a system of preferences which is in direct contradiction to the principle of the most-favoured-nation clause. It is no use telling ourselves that this system is being introduced merely as an exception, for a limited time, and for given cases, with all sorts of guarantees. This is merely the thin end of the
wedge, and it will be difficult to pull the wedge out again. Though the agreements referred
may be concluded for a short time (two years, let us say), provision is made for their
prolongation, without guarantees.

No wonder the original proposal for preferential treatment evoked uneasiness, even
during the discussions by the organs of the League of Nations, and met with opposition from
the representatives of many European States. This opposition, it is true, gradually weakened
and capitulated before what appeared to some as inevitable. I am under the impression,
however, that the feeling of uneasiness has by no means subsided. Many in this room still
fear the consequences which the new system might entail. One of its supporters tried in the
Co-ordination Sub-Committee to calm our fears by assuring us that it is only a small dog
let out well muzzled and on a lead and that it cannot bite. By this very admission, the
speaker shows that something with a bite has been introduced into the arena of international
economics. This is scarcely soothing, for who can be sure that the dog will not break loose
from its lead one day and shake off its muzzle?

Such, in my opinion, is the general significance of the proposal for preferential treatment.
It has, however, a special significance for the State which I represent. The agreements prepared
contain preferential clauses — in a direct or disguised form — with regard to wheat and
certain other cereals. Now, the chief exporters of these cereals in Europe are the Soviet
Union and the Danubian countries. The agreements, however, have been drawn up so as
to make this preferential treatment apply only to the Danubian countries and never, in any
circumstances, to the Soviet Union. Advantages are granted to some exporting countries
at the expense of others — in this instance, at the expense of the Soviet Union. In other
words, special treatment has been introduced to obstruct the sale of Soviet grain and to place
all the other European exporting countries in a better position for the sale of their grain.

In the circumstances, are we not entitled to speak of discrimination against the Soviet
Union? Are we not entitled to assert that this whole system is directed exclusively against
the interests of the Soviet Union? The German-Roumanian and German-Hungarian
treaties provide for the extension of preferential treatment to Bulgaria and Yugoslavia,
in addition to Hungary and Roumania. Suppose, for the sake of argument, that Germany
wanted to extend the same treatment to the Soviet Union. Would these treaties still hold
good? Obviously not, despite the fact that the powerful overseas competitors of European
grain-exporters would not share in this treatment. Does not this corroborate the assertion
that the only European State against which preferential treatment is directed is the Soviet
Union? Either the dog is not muzzled or, muzzle and all, it can bite the Soviet Union and
is very much inclined to do so.

It was explained to me in the Co-ordination Sub-Committee that this state of affairs
has arisen out of the Danubian countries' appeal to the League of Nations for help, and that
the Soviet Union made no such appeal and deserves no such help, since it has no crisis to
complain of and is satisfied with its fate. If we are going into the history of the question,
I would venture to go back a little further and would remind you that this appeal for help
was preceded by a series of conferences in Warsaw, Bucharest and elsewhere. All the grain
exporting countries of Europe, with the exception of the Soviet Union, were invited to these
conferences, which even included States bordering on the Soviet Union, such as Latvia,
Estonia and Finland, which do not export grain at all. The centre of attention at these
conferences was the ever-growing agricultural crisis, which was showing itself in falling prices
and shrinking markets. The Soviet Union, one of the principal European grain exporters,
suffered from this crisis, if anything, more than other countries. Despite this, it was
completely ignored.

Is it the Soviet Union's fault that these conferences were inspired by political rather
than by economic motives and were imbued with an anti-Soviet spirit? One of the initiators
of the conferences confessed in a public statement that they were mainly directed against
the Soviet Union. Their anti-Soviet character was maintained, both in the appeal for help
to the League and in the decision to give this help. Of course, there can be no objection to
assisting any State at the expense of the benefactors themselves. In this instance, however,
the Soviet Union bore the expense. It is true that the Soviet Union has appealed for help
neither to the League of Nations nor to anyone else. Nor could it be expected to do so.
But this does not deprive it of the right to protest when other States are assisted at its expense
under the flag of European solidarity.

We have never denied that the agrarian crisis reacted heavily on the economic situation
in the Soviet Union. I asserted this myself at the May session of the Commission of Enquiry.
The fall in the price of the Soviet Union's grain exports is bound to lead to a reduction of
its imports. If a further fall in the price of Soviet grain is caused by artificial measures, and
greater difficulties are placed in the way of its sale, not the Soviet Union alone, but the
countries from which it imports will also suffer. Is this a way of alleviating the European
crisis? Is this European solidarity? Is this that peaceful co-operation proclaimed at the
Economic Conference in 1927? Of course, it is not. Such measures can do nothing to alleviate the present crisis; they cannot improve international relations, or assist in the pacification of Europe.

I now turn to another question — the Pact of Non-aggression. I did not invent the idea of economic aggression. The phenomenon of this aggression is known not only to the Soviet Union. One of the volumes in the series entitled “The Frankfurt Treatises on Questions of Contemporary International Law” is devoted entirely to economic war — I refer to Dr. Franke’s “Der Wirtschaftskampf”. The methods of economic war now practised are exhaustively enumerated and described in this book. It would appear, then, that there is such a war, and not only in regard to the Soviet Union, with which, by the way, the book is not concerned. Such warfare cannot fail to increase the existing uneasiness, and consequently to aggravate the economic crisis. The worse the crisis the greater may be the tendency to resort to economic warfare, thus forming a vicious circle.

The draft pact which I put before the Commission of Enquiry for European Union aims at putting a stop to, and averting, the application of this war. The chief weapons are boycott and discrimination against individual countries. The pact provides for the mutual obligation to abstain from applying such methods of warfare. This proposal would seem to be a very simple and one and, moreover, entirely in the spirit of international and European solidarity, in that spirit of confidence so essential for the alleviation of the crisis. What has been the fate of this proposal? First, it was handed over by the Commission of Enquiry for European Union to a Sub-Committee, which was asked to recommend further procedure. From this Sub-Committee, it returned, in its primal state, to the Commission of Enquiry for European Union without any recommendations. Thence it was again transferred for study to the Co-ordination Sub-Committee. This Sub-Committee declared that it could only co-ordinate the work of other sub-committees, and since the draft pact had not passed through another sub-committee, it was not competent to deal with it. The proposal was transferred to a drafting committee; it then came back to the Commission of Enquiry for European Union, with a recommendation to transfer it for study to a new special sub-committee.

Why was it necessary to make a kind of tennis-ball of this Pact, to toss it from one Sub-Committee to another? If it is of no importance from the point of view of appeasing Europe and alleviating the world crisis, it ought immediately to be rejected. If it is conducive to peace in the economic, and therefore in the political sphere, is it not worth while for the Commission of Enquiry for European Union to devote a few meetings to it, or transfer it at once to a Sub-Committee which would really study it and report on it at this session of the Commission?

It has been said that the question is extremely complicated, so complicated that, during the four months in which the draft pact has proceeded along its way of sorrows, we have scarcely heard more than two or three remarks or objections. To what does this complication amount? Some complaint that it is not clear whether the most-favoured-nation principle could be preserved, should the pact be accepted. I hope I have cleared up this point; but, if my explanation was thought inadequate, all doubts could have been settled by the inclusion of a suitable clause in the pact itself. Further, it has been said that discrimination is not the only form of economic aggression. Well, if other forms are known, I would have no objection to mentioning them in the Pact.

M. Francois-Poncet said that dumping is also a form of economic aggression; but at the same time he admitted that not everything that is called dumping is really dumping. That is quite true. Accusations of dumping are frequently without foundation, and not only accusations directed against the Soviet Union. Since there is no precise, commonly-accepted definition of dumping, any State, which is desirous of adopting repressive measures against another State, may accuse it of dumping. This sort of arbitrary accusation is certainly a form of economic war. As for real dumping, I would remind you that at the May session I proposed a definition of it and suggested a convention providing for abstention from dumping. Neither the Commission as a whole, nor any individual delegate responded to my proposal, however. Apparently dumping, as such, does not arouse much alarm and is not considered as a cause of the crisis.

Objections were also made to the pact on the ground that it would be difficult to define the aggressor. I explained, however, in the Co-ordination Sub-Committee that, inasmuch as the pact is concerned with the boycott of a State or discrimination against it, such measures could only be systematically applied through the administration or legal acts of a Government or its organs. The State which was the first to issue such acts would, of course, be the aggressor. Reprisals must be considered as a legitimate defence and not as aggression. The Pact of Paris for the renunciation of war also, by the way, contains no definition of aggression, but has, nevertheless, been signed by almost all States. How did this come about? Was it not because it did not pass through a series of committees and sub-committees? Whatever we may think of the Pact of Paris, nobody can say that peace has suffered from the manner in which it was adopted. Peace would gain and not suffer if the Pact for Economic Non-aggression had been accepted as I proposed, without the intervention of any committees or sub-committees, as to the usefulness of which public opinion has long been extremely
sceptical. A Geneva paper — not a Moscow paper — referring to the League of Nations said a few days ago:

"Transfer to a Committee has become equivalent to adjournment and sometimes to interment."

I have already said that many States know from experience that economic war exists. I will not conceal the fact, however, that this question is of special importance to my own country, which is subjected more than any other State to economic discrimination and other forms of economic aggression. At the same time, the question is of general importance for the creation of an atmosphere of tranquillity and a feeling of confidence in a lasting peace. Such confidence does not as yet exist. One of the main causes for the lack of confidence in the world in general, and in Europe in particular, is the anomalous attitude which other States adopt towards the Soviet Union. The spectre of war will not vanish from Europe until this abnormality disappears. To take no measures for its removal is equivalent to doing nothing for the creation of those conditions which the economic experts appointed by the Commission of Enquiry for European Union, and the Basle experts, consider essential for the creation of international confidence and the alleviation of the European and the world crisis.

I assumed that, in inviting the Soviet Union to share in its work, the Commission realised this. Unfortunately, after attending two sessions I no longer feel sure of it. On returning to my country, I shall unfortunately have to report the Commission's approval of the preferential system, from which the population of the Soviet Union alone must suffer. I shall also have to report the treatment which my Pact for Economic Non-Aggression received. This scarcely testifies to any great interest on the part of the Commission in the peaceful co-existence of different social-political systems. Some members of the Commission assured me at the last session that there was no hostility to the Soviet Union. I wish I could report to the people who sent me here, not merely such declarations, but deeds and actions backing up those declarations.

I would ask the Commission to remember that I am speaking here, not only as delegate of one of the European States and representative of a population of 150 millions, but also as a representative of one of the two social-political systems at present in existence. I hope the Commission will come to the conclusion that the problem of the relations between the Soviet Union and the rest of the world, especially the countries of Europe, is worthy of serious attention, in the interest of the alleviation of the world crisis and the consolidation of general peace, and is worthy of an approach different from that adopted at the last two sessions.

The existence of two systems undoubtedly complicates politics, economics, and diplomacy, just as the existence of a number of countries and nations is a complicating factor. It would be much simpler if there were only one nation and only one State in the whole world. It would be much simpler if there were only one social-political system in existence. But such things do not depend on us. We must bow to historical facts, whether we like them or not. We must find a solution to our problems, however complicated they may be. The Soviet Government, for its part, is inspired in all its proposals — and will continue to be inspired — by peaceful aspirations alone.


Adopted without observations.

Introduction.

Chapter I. — Economic Relations and Industrial Organisation.

Adopted without observations.

Chapter II. — Credit Problems.

Adopted without observations.

Chapter III. — Agricultural Questions.

Baron RameL (Sweden) [Translation]. — I should like first to take this opportunity to pay a tribute to the draftsmen of the admirable reports before us. The reports will, I earnestly hope, prove a useful basis for the work undertaken to overcome the present emergency and to restore and strengthen international confidence.

I will deal next with the question of preference (Chapter III). At our May session, when certain proposals were submitted to us asking for preferential treatment for the grain of the South-East European States, Sweden, with certain other countries, made an explicit reservation to the effect that she could not subscribe to any declaration sanctioning a system of tariff preference. This attitude was prompted by the desire to avoid anything that might detract from the guarantees furnished by the unconditional most-favoured-nation clause.

In my Government's view, these guarantees do, in fact, tend to confer on economic relations a stability, the need of which has been shown by recent events. Our attitude was also
prompted by the feeling that every exception granted would lead to new ones and that, once the movement had started, it would be very difficult to arrest.

To allay our misgivings, it has often been said — and in different quarters — that this first step — that is to say, the application of a preferential tariff to grain — was not dangerous and would have no prejudicial effects. To prove our goodwill, we did not oppose the request of certain countries for an examination of their proposals for tariff preference, as an exceptional and temporary measure, for grain.

To-day, however, it is, I think, generally realised that our apprehensions were well-founded, and that we now find ourselves in the situation we were anxious to avoid. Many requests for preference have been made, and the list is certainly not yet closed. I very much doubt whether there is a single country represented on this Commission which could not, with equal reason, ask for preference for one or another of its products.

It was therefore with keen satisfaction that I noted the statement in the report of the Economic Experts that there was no intention of modifying the most-favoured-nation clause, which must remain the essential safeguard of normal commercial relations between States.

To obviate any misunderstanding in future, I must say quite frankly that the Swedish Government firmly believes that the common cause of all countries in Europe and the stability of economic relations are best served by making every attempt to keep intact the principle of non-discrimination and equality of treatment, of which the most-favoured-nation clause is the outward and visible sign.

On these grounds, Sweden is opposed to the extension of the preferential system.

M. BEELAERTS VAN BLOKLAND [Netherlands] [Translation]. — I intended to say a few words on the report of the Co-ordination Sub-Committee, dealing, in particular, with the system of tariff preference which conflicts, to a certain extent, with the most-favoured-nation clause. To save time, however, I will merely say that I associate myself with the Swedish delegate’s remarks. I will only add that it would appear to be necessary that the sanction of third parties should be solicited through the diplomatic channel.

The CHAIRMAN [Translation]. — The statements just made will, of course, be recorded in the Minutes, and the Netherlands Foreign Minister’s suggestion might be submitted to the Drafting Committee which will be appointed later.

Dr MUNCH [Denmark] [Translation]. — I associate myself with the Swedish delegate’s observations.

M. BRAADLAND [Norway] [Translation]. — I concur in the remarks of the Swedish, Netherlands and Danish delegates. The Norwegian Government firmly supports the widest possible application of the most-favoured-nation clause, and therefore could not but entertain some misgivings as regards the question of preferential treatment. Those misgivings are particularly grave when we are asked to consider extending a system of that kind to a whole series of goods. We realise that these suggestions are closely connected with the difficulties with which industry in the countries whose delegations have spoken on the subject is at grips.

I think, however, I can say that we are all in much the same situation. We all have export industries which are passing through a serious crisis; and, if a system of preference is allowed for the export products of certain countries over and above the definite and specific case of grain, we may be sure that demands will be made for the extension of the same system to the products of all countries. That would lead us very far away from the most-favoured-nation clause, which, according to what has been said on all sides in this Commission, must subsist as the basis of European commercial policy.

Chapter III was adopted.

Chapter IV. — Unemployment.

Adopted without observations.

Chapter V. — Pact of Economic Non-Aggression. (Annex 11.)

M. FLANDIN [France] [Translation]. — I have no objection to the wording of the Co-ordination Sub-Committee’s report, recommending that the Commission study the draft pact in greater detail. Nor have I any objection to the Soviet delegation’s proposal for the appointment by our Commission of a sub-committee to carry out that study.

True, had we time, I should have certain objections to make to M. Litvinoff’s very piquant statement. He has said that it was not he who made the discovery of economic warfare. He is right. That is a very old discovery, and it cannot be argued that the League has waited for his proposal to take up this subject. I need only remind you of the past, of
the history of the various economic conferences held here, to make it clear that, from the outset, one of the chief points in the League's policy was to endeavour to put a stop to economic warfare. In 1930, there was a special Conference, known as the Conference for Concerted Economic Action, which dealt with this problem, and at which I, as French representative, submitted a memorandum of which the only merit was that it represented, so to speak, a summary of the studies made by the League, and contained a fairly complete list of all the various forms of economic warfare so severely condemned by M. Litvinoff.

Ours, however, was a somewhat different frame of mind. We sought, not to make a show, but to reach certain practical conclusions in the form of conventions which would be binding on Governments in regard to certain definite points and would put an end to those forms of economic warfare which inflict hardship on all alike, of which no one has a monopoly, and which we are all anxious to remove from the sphere of international relations. On that point I am glad to see that I agree with M. Litvinoff.

Were I to consider in detail the measures to be taken, I might cite the Convention on Import Prohibitions and Restrictions, and the draft Convention for the abolition of direct and indirect export bounties, and even the draft anti-dumping Convention.

That is the real, solid work, on the basis of which the League can take effective action, I have no particular aversion for general pacts or declarations of principle, except that they sometimes engender illusions which lead to disappointment, especially when they are couched in vague and ambiguous terms.

M. Litvinoff complains that we have been playing tennis with his proposal. It might perhaps have been easier to consider, had it been more precise and more complete; a more thorough examination might not have been needed. I do not propose to go through each clause in detail, but if you will re-read the pact as a whole, you will see that it amounts to this:

"The parties undertake in their mutual relations to forego any discrimination whatever, and to regard as incompatible with the principles of the present Protocol the adoption and application in their respective countries of a special system directed against one or more of the countries signing the present Protocol."

Not only is there no definition of the aggressor — M. Litvinoff tells us that none is needed — but there is not even a definition of aggression. Looking at the actual wording, we may even infer that any discrimination of any kind whatever is *ipso facto* an aggression. But if we went to the bottom of things — and M. Litvinoff felt the truth of this a moment ago, because he made a reservation concerning the most-favoured-nation clause — it might be upheld that even to grant most-favoured-nation treatment to one country and refuse it to another was a form of discrimination.

Again, we were dealing just now with the question of tariff preference. I know that some of you objected to this policy. M. Litvinoff, speaking before you, objected to them even more strongly. They do, nevertheless, form the conclusion of long discussions in various League committees. Supposing, then, the grant of a preferential tariff were to be regarded as a measure of discrimination and hence as coming under the Pact of Non-Aggression, where should we be landing ourselves unawares? In the first part of our report, we should be recommending preferential tariffs, while in the second part we should be condemning them as a measure of economic aggression.

I might go even further and deal with a subject which M. Litvinoff knows well and to which his Government and he himself sometimes pay some attention, the granting of credits. Would it for instance be regarded as a measure of aggression if we granted a loan for the purpose of enabling certain purchases to be made in certain countries? That would take M. Litvinoff himself fairly far afield. It shows how glad he ought to be of our foresight in recommending a more thorough consideration of his own scheme.

All these subjects, which — let me say it again — we have been discussing for many years past, require much work and careful consideration. They need to be taken up in that frame of mind. This is not a problem to be dealt with for purposes of propaganda or in a spirit of recrimination. I was much struck by M. Litvinoff's harping on past conferences on the European grain problem and his attempt to make out that the steps taken or discussed at them represented a sort of standing conspiracy against the Soviet Union. In the international life of Europe, there is no place for this kind of constant obsession with standing conspiracies, even though, to use M. Litvinoff's own words, one country may represent a different social and political system from that prevailing in the rest of the world. I can assure him that we who represent the other system have no aggressive designs against the system he represents.

M. Litvinoff makes himself out an innocent victim, an easy prey to the machinations of the wicked. Let me reassure him. The wicked sometimes perhaps merely wish that certain bodies which, as we know, are entirely independent of the Soviet Government, would carry on a less intense propaganda against the social and economic system we represent. That, however, is another matter. It would lead me into paths which M. Litvinoff himself has trod, but along which I have no desire to follow him. I wish in conclusion to say only one
thing that, subject to the few humble remarks I have made, we adhere to the ideal of universal non-aggression recommended by M. Litvinoff as the guarantee of fuller international co-operation.

M. Litvinoff (Union of Soviet Socialist Republics). — I wish that more speakers would deal with my Government's proposal. It is only by discussion and by voicing objections that the subject can be fully and exhaustively examined. Some of the questions M. Flandin has put to-day have already been answered by me, I flatter myself, satisfactorily. I am absolutely sure that at one or two meetings, the Sub-Committee would have settled the question of the pact, and the pact might have been presented to the Governments for signature in case they desired to sign it.

On the question of preference, I was asked in the Co-ordination Sub-Committee whether in fact any preferential treatment would constitute an infringement of the Pact of Non-Aggression. It depends upon the application of the preferential treatment in question. If the German Government were to grant preferential treatment to Hungary or Roumania or any other country — small concessions have already been made — there would be no aggression: but, if Germany or some other country granted privileges to all countries of a definite group or category except one, that would constitute aggression against the country thus isolated.

I also have already replied to the question as to the definition of "aggression" and "the aggressor." I think in this pact it is much easier to give a definition of aggression than it would be in a political pact. If we were to have a full discussion on the subject, either in this Commission or in some sub-committee, all the uneasiness and doubts created as to the intention of this proposal would be removed, possibly by alterations or additions to the pact itself. The authors of such an instrument could not, naturally, foresee all the objections and reservations which have since been made by various speakers. It is only by discussion and by careful consideration of the objections brought forward that the authors of the pact can allay the doubts and misgivings which have arisen. But, instead of this procedure being followed, the proposal has simply been passed backwards and forwards like a tennis-ball. Many other proposals from other sources have been introduced in the Commission and have been made the subject of recommendations or resolutions by the various Committees. They have all been given a very different measure of consideration from that accorded to mine. I think M. Flandin will agree that I have some cause for complaint.

I should like to reassure M. Flandin on the question of credits; this matter does not come within the framework of our pact at all. Let me also say that, naturally, nobody enjoys entertaining the fear or apprehension of being a victim of conspiracies; but I will mention a special case. A year ago when this campaign was initiated, the propaganda employed against the Soviets is like comparing a fly with an elephant. As regards propaganda, I wish I had the opportunity to demonstrate that there is no country in the world which has been the victim of so much hostile propaganda as the Soviet States. I could give you statistics, of the number of daily, weekly, and monthly periodicals, leaflets, and special books or treatises, which have been brought out year after year, consisting of anti-Soviet propaganda. To speak of propaganda against other countries compared with the propaganda employed against the Soviets is like comparing a fly with an elephant.

M. Zaleski (Poland) [Translation]. — Mr. Litvinoff has mentioned conversations which took place between certain of the agricultural countries in various capitals, in particular, at Warsaw. As my own Government was one of those which initiated these conferences, I should like to offer an explanation.

M. Litvinoff will of course remember that these conferences took place before the Soviet Union had begun to collaborate with the League in economic problems. I recollect very clearly explaining to the representative of the Soviet Union at Warsaw at that time that the conferences were confined to certain Members of the League who were discussing the common attitude they should adopt in the discussions held in the League itself.

Chapter V was adopted.

Chapters VI and VII.

Adopted without observations.

The Chairman [Translation]. — The Sub-Committee's report has thus become the report of our own Commission, subject to the points mentioned, which will be considered by the Drafting Committee that I propose we should appoint.
Our Commission, as you will remember, is an advisory committee of the League, and we have therefore to report to the Assembly, or, in certain cases, to the Council. The report of the Co-ordination Sub-Committee will consequently have to be transmitted to the Assembly and it would be well, at the same time, to add a note briefly summarising some of the remarks made during the general discussion. There is, for instance, Dr. Schober's suggestion for an enquiry into the question of economic unions and that of Dr. Rouchdy Bey for the communication of the report as approved by us to the Governments, so that they may, if they wish, place it before their legislative bodies.

All these suggestions, however, make it necessary for us to report first to the Assembly. It is fundamental to our work that we should affirm that our Commission forms part and parcel of the League.

In accordance with the normal procedure the Assembly will, I feel sure, later transmit to one of the Committees, probably the Sixth, the relevant passages from the general report to the Assembly prepared by the Secretary-General and submitted to it for discussion. I imagine too that the Sixth Committee may refer to the Second Committee certain sections dealing with economic questions which come within its competence.

Accordingly, there are certain decisions we cannot take until the Assembly has reached a conclusion, among them the decision to set up the Committee suggested in our report. That can only be done after the Assembly has intimated its views, because our mandate expires as soon as the Assembly meets. It is for the Assembly to decide to extend our mandate.

We shall therefore probably have to meet again some time towards the end of the Assembly. We have, of course, among us the representatives of certain States which are not Members of the League, and the position may be somewhat awkward for them. I trust, however, that the spirit of conciliation which is evident in everything we do will make it possible to overcome these little difficulties of procedure. There does not seem to be any other procedure to adopt.

At the end of this meeting, therefore, I shall propose that we set up a Drafting Committee to consider the nature and contents of the covering note which will accompany our report to the Assembly.

These, of course, are merely friendly suggestions. I have talked things over with the Secretariat and we agreed that the suggestions I have offered are the best. May I ask if you approve them?

M. PUSTA (Estonia) [Translation]. — I understood the Chairman to say that our mandate expires with the present session. That is a point on which I do not feel quite so sure. The Assembly resolution of 1930 setting up this Commission “invited the Governments . . . acting, with the assistance of the Secretariat, as a Commission of the League, to pursue the enquiry which has already been begun and of which the French memorandum of May 17th, 1930, . . . constitutes the first element.” The resolution adds that “the first results of this enquiry should be embodied in the form of definite proposals in a report to the next Assembly.”

Neither the meetings held by our Commission nor the replies of the Governments to the French memorandum would appear to indicate that the Commission would be justified in regarding its work as complete. We shall present a first report on the first results achieved, but I see nothing in the Assembly resolution to prevent our continuing our work.

The CHAIRMAN [Translation]. — There is probably a slight misunderstanding, due possibly to my failing to make myself quite clear. What I meant was that the Assembly has the right to terminate our proceedings, if it sees fit to do so. Put in this way, my remarks are, I feel sure, unobjectionable, and M. Pusta and I are of the same mind.

The procedure proposed by the Chairman was approved.

41. Appointment of a Drafting Committee.

The CHAIRMAN [Translation]. — My proposals for the Drafting Committee are as follows: In the first place, I should like to be authorised — I trust you will not consider me lacking in modesty when I make the suggestion — to act as Chairman of the Drafting Committee, merely in order that I may be better able to direct your work later on. I ask this in my personal capacity and not as the representative of my Government.

I should also like to invite M. Bech, the Chairman and Rapporteur of the Co-ordination Sub-Committee, to be a member of the Drafting Committee together with representatives of the following twelve States: Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Italy, Spain, Turkey, Union of Soviet Socialist Republics and Yugoslavia, it being, at the same time, clearly understood that any State specially interested in any point can take steps to be represented in connection with the discussion of it. We have always adopted this liberal and, I think, reasonable attitude in these matters.

The proposals of the Chairman were adopted.
THIRD MEETING (PUBLIC).

Held on Saturday, September 5th, 1931, at 10.30 a.m.

Chairman : M. Motta (Switzerland).


The CHAIRMAN [Translation]. — At our last meeting, you instructed the Drafting Committee to prepare a draft covering letter to the Assembly. Before opening the discussion on the draft letter and the draft resolutions annexed to it, which form the principal part of the document, I should like briefly to explain the character of each.

The Drafting Committee was instructed to extract from the Co-ordination Sub-Committee’s report, which, with certain reservations, our Commission has endorsed, the points which would enable the Assembly to ascertain exactly the recommendations we are making and which will be submitted to it by the Chairman of this Commission, M. Briand, if he is prepared to do so.

As regards Resolution V, you will see that we were forced to leave that point blank; the Drafting Committee was unable to agree on the issue raised by the Soviet Government (Pact of Economic Non-Aggression) and we reached the unanimous conclusion that the question was one of substance which would have to be dealt with by the plenary Commission.

Let me add that it is said explicitly in the covering letter that we are sending to the Assembly also the reports of the various special Committees of the Commission of Enquiry and other relevant documents, among which the Minutes of this Commission occupy the foremost place.

For instance, two days ago, the Foreign Minister of the Netherlands suggested that the diplomatic channel should be used when a country enjoying preferential duties under treaties concluded between itself and other countries was seeking the sanction of third parties enjoying the benefit of the most-favoured-nation clause. Needless to say, that suggestion is recorded in the Minutes and will be submitted to the Assembly in the form in which it was put forward by the Netherlands Foreign Minister.

Again, the Estonian Minister for Foreign Affairs argued the desirability of developing the idea of the community of Europe in schools and through the cinema and other agencies. The Drafting Committee was unable to give special attention to that point, but the Estonian representative’s observations are recorded in the Minutes and will therefore be submitted to the Assembly, so that the latter, if it wishes, will be able to deal with all the points we have discussed.

I will now open the discussion on the draft covering letter and then on the annex (document. C.E.U.E.54).

The draft covering letter was adopted.

The CHAIRMAN [Translation]. — The letter will be signed by the Chairman of the present session of the Commission.

RESOLUTIONS BASED ON THE REPORT OF THE CO-ORDINATION SUB-COMMITTEE ON ECONOMIC QUESTIONS.

I. Economic Relations and Industrial Organisation.
   Resolution I was adopted.

II. Credit Problems.
   Resolution II was adopted.

III. Agricultural Problems.
   Resolution III was adopted.

IV. Unemployment.
   Resolution IV was adopted.

V. Pact of Economic Non-Aggression.
   Resolution V was adopted.

The CHAIRMAN [Translation]. — I should like to offer a few brief remarks on this matter. During the discussion in the Drafting Committee, it became obvious that the question was not so much one of drafting as of substance, and that it would have to come before the plenary Commission. You will remember that the representative of the Soviet Union had urged the creation of a special Committee to study this question.
In the Drafting Committee, it was pointed out that, although we might, in principle, agree to the creation of such a committee, we could not determine its composition and size until the Assembly had had an opportunity of making known its opinion on the general question of a pact of economic non-aggression.

M. Litvinoff perceived that, in that case, he would be unable to ascertain the composition of the special committee until towards the end of the Assembly, when the next (that is to say, the fifth) session of our Commission will take place. Being anxious to know the fate of his proposal, he therefore moved that the question be referred to the Sub-Committee of Economic Experts.

These were the circumstances which determined the Drafting Committee again to submit the question to you. I should like to make a few general and purely objective remarks on this subject.

In the first place, it must be noted — this point is absolutely plain and there can, I think, be no possible difference of opinion regarding it — that the Pact of Economic Non-Aggression as submitted raises, both in the spirit and in the letter, a problem which is not merely European, but a world problem by its nature and in its reactions alike. The draft itself says that the Protocol shall be open for signature by all States of the world which are prepared to accede thereto.

That being so, the question very naturally arises whether this Commission would not be exceeding its competence and its functions if it dealt with a problem of this character before the Assembly had had an opportunity of expressing its opinion. In this Commission we have, I think, always been anxious to affirm our dependence on the League. We have always asserted that we are an advisory Committee of the League and that, as such, we are bound to report to the Assembly and, in certain cases, to the Council. If we embark now on a problem like this, before the Assembly has discussed it in its original form and without any preconceived ideas whatever, we shall be encroaching upon the competence of the Assembly and exceeding the role which it allotted to us and which we accepted.

In my view, then, it is perfectly clear that the Assembly must consider the matter first.

I would like to make another remark on M. Litvinoff’s proposal. He has dropped his suggestion for a special committee and has asked that the question be referred instead to the Sub-Committee of Economic Experts, which must not, of course, be confused with the Economic Committee of the League. On that proposal I have a few practical considerations to offer.

In the first place, it is not certain that the number of experts is sufficient. There are clearly several countries which attach very considerable importance to this question and would like to make their views known at the outset. Secondly, some of the experts on the Sub-Committee may very possibly not be those best suited to the task. Thirdly, there is nothing to show that the members of the Sub-Committee would in fact be prepared to engage upon this work.

Personally, therefore, I have come to the conclusion — I would ask M. Litvinoff, in particular, to follow my arguments, and I must apologise for not having been able to state my views in the Drafting Committee, as they only took shape after reflection and after hearing the different opinions expressed in that Committee — that it would be expedient to consider whether, in view of the nature, the range, the importance and the repercussions of this plan, it might not be wiser and indeed more correct towards the League to ask the Economic Committee to undertake this preliminary study.

To this solution there is, of course, one objection which is plain at once — namely, that the country which submitted the proposal is not represented on the Economic Committee, but our Commission would naturally ask the Assembly to recommend the Council — to which the Economic Committee is subordinate — to appoint to the Economic Committee for the consideration of this question, and, needless to say, for this question alone, a representative of the Soviet Government. In this way, we should, I believe, meet the wishes of the State which propounded this scheme, while we should be conforming to those broad, necessary and, in my view, unescapable rules which we are bound to observe.

I suggest therefore that, as regards Point V, we should make some such proposal as I have suggested — namely, that we tell the Assembly that the Commission is of opinion that this question should be referred for study to the League Economic Committee and suggest that the Council add to the latter a representative of the State putting forward the proposal.

We shall presently have an opportunity to hear M. Litvinoff on this point. I hope reflection and the subsequent trend of this discussion will show him that the proposal I have put forward as Chairman is in harmony with the good order of our proceedings.

M. Litvinoff (Union of Soviet Socialist Republics). — I will try to explain how this question has arisen again after it had apparently been settled. As you are aware, I submitted a draft Protocol of a Pact of Economic Non-Aggression. It would have been possible to deal with it during the present session and, as this was not done, I naturally assumed that it would be referred for further study either to one of the Sub-Committees of the Commission of Enquiry or to a special sub-committee. I was informed yesterday in the Drafting Committee, however, that the Commission of Enquiry has no mandate to create new sub-committees, but must await the Assembly’s instructions. I am not an expert on the constitutional law of the League of Nations, and I find it difficult to understand why the Commission of Enquiry was able at
its May session to appoint a series of Sub-Committees, but is not now entitled to do so. It has been said that the Commission of Enquiry will come to an end when it has submitted its report, and must obtain a new lease of life from the Assembly. I should have thought that in renewing the Commission’s existence the Assembly would automatically renew the existence of any organs created by it; but on such a point I bow to the superior judgment of those who are more familiar than I am with the laws of the League.

I do not know when the Commission of Enquiry will meet again; but if it does not meet until the end of the Assembly it will be difficult for the Soviet delegation to wait here or to return in a few weeks’ time. Before I leave, I should naturally like to know to what Committee the fate of the pact is to be entrusted and who are the members of that Committee.

In the circumstances, I can only suggest that the Commission of Enquiry should refer the pact to one of its Sub-Committees — the Sub-Committee of Economic Experts, for example. I understand that that Sub-Committee does not require the sanction of the Assembly. Doubts were raised in the Drafting Committee as to the competence of the Sub-Committee of Economic Experts to examine the pact, inasmuch as the Sub-Committee consists not of representatives of Governments, but of individuals appointed as experts. I think these doubts are groundless. After all, it is not the experts who will decide the fate of the pact, but the Governments represented on the Commission of Enquiry. All the experts are asked to do is to form conclusions as to the extent to which the pact is compatible with the principle of the most-favoured-nation clause, preferential treatment, and so on.

The Chairman brought forward the new argument that the pact concerned not only European countries but the whole world. That argument could be applied to most of the questions studied in the Commission of Enquiry. The Commission’s task is to study an economic crisis which is not limited to Europe alone, but is world-wide. Take, for instance, preferential treatment in the form in which we have accepted it. It is of much more concern to non-European than to European States, because there is discrimination against the former. But no one proposed that we should transfer this question to the Assembly, at which non-European States are represented. The report of the Sub-Committee of Economic Experts suggests that regional agreements should be concluded. Why cannot the European States conclude a regional pact and then invite the non-European States to accept it?

In any case, the Soviet Government has submitted its proposal to the Commission of Enquiry for European Union. If the Commission does not feel competent or does not wish to deal with the question, it ought to say so. We shall then withdraw the proposal, and consider it as having been rejected. It is no use telling us to submit it to other international bodies; I am not sure that my Government would not rather withdraw its proposal.

I suggest that we should either appoint a special sub-committee to study the pact or, if that is constitutionally impossible, refer it to the Sub-Committee of Economic Experts. There is no alternative.

Dr. Curtius (Germany) [Translation]. — I should like to try and conciliate the different views put forward. M. Litvinoff has made two proposals; one that his plan should be referred to the Sub-Committee of Economic Experts and the other that a special committee should be set up to study it.

I myself have certain objections to the first proposal. The Sub-Committee of Economic Experts, I believe, considers that its work has been completed. Some of its members have told me that they do not expect to have a further meeting, and even that they might not be willing to take part in our subsequent work, supposing the Commission decided to take up such work. It hardly seems possible, therefore, to consider a fresh meeting of the Sub-Committee of Economic Experts. As against that, I support the proposal to send the question to a special committee. I quite understand M. Litvinoff’s objections to the reference of his draft to the League Economic Committee. I appreciate the objections of principle he has advanced, and I would point out that there is another difficulty due to the fact that the Economic Committee has been instructed by the League and by the Council to carry out certain tasks which may prevent the prompt examination by it of M. Litvinoff’s proposal.

Again, it must be borne in mind that had we last May discussed the Soviet scheme in the way we have examined it at the present session, though we should certainly not have reached a final decision, we should very probably have referred it to one of our Sub-Committees. I fail to see, therefore, why we should not adopt some such procedure now.

I realise the Chairman’s objections. He says that our Commission is not competent to set up a sub-committee of the kind suggested. On that point, I agree with M. Litvinoff’s observations with reference to the question of competence. He said that most of these questions were very wide in range and that they were world questions; he reminded us that certain countries were not represented on the League and that consequently the Commission of Enquiry was perfectly entitled to consider those issues. Personally, then, I see no difficulty to our Commission — or any sub-committee appointed by us — dealing with problems of world interest that concern certain States which are not represented but might be asked to take part in the discussion of these matters. I propose, accordingly, that we set
up a special committee, but not one which will consist solely of economists, like the Sub-Committee of Economic Experts or the League Economic Committee. It must be remembered that the problem has two aspects, a political and an economic one. For this reason, I should like the Committee to be composed of Government representatives and economic experts. There would be nothing novel in that; other committees have a similar membership.

I am in some doubt concerning the date at which the special committee should meet. I am not sure whether it could meet at once, because our other Sub-Committees have finished their work, and certain difficulties might arise in the Assembly if we proposed that the special committee should meet immediately. At the same time, I imagine that the Assembly also would be prepared to contemplate the creation of a special committee to study the Soviet proposal. If therefore we contemplate the appointment of such a committee, we might decide to appoint it subject to the Assembly's approval. In this way, a decision could be taken immediately, and M. Litvinoff would know the fate of his proposal. At the same time, we should have fully safeguarded the question of competence. I must, however, point out to M. Litvinoff that the Assembly would legally retain the right to cancel the Commission's decision to set up a special committee.

In conclusion, I think we should complete Resolution V and do so to-day by deciding, subject to the Assembly's approval, to set up a special committee of Government representatives and expert economists.

Viscount Cecil of Chelwood (Great Britain). — We are all agreed that the Soviet proposal is of very great importance and deserves most careful consideration by this Commission and, indeed, by the League. What we are now discussing is not the principle of that proposal, but the best practical method by which to reach a rapid and authoritative decision. I say quite frankly that if some convention can be devised which, in the opinion of those qualified to judge, would put an end to or even diminish the chances of what are called " tariff wars ", I should greatly rejoice.

I think the question of obtaining a rapid and authoritative decision is rather a technical one. It is suggested that the Soviet proposal be sent either to the Sub-Committee of Economic Experts or to a special committee. So far as the first of these alternatives is concerned, the German delegate's observations have shown that it is not practicable. The members of that Sub-Committee are extremely busy men, who have now returned to their own countries and taken up their own business. Such a procedure would mean delay and postponement.

The other proposal is that we should appoint yet another special committee. I confess I dislike the multiplication of committees, if it can be avoided. It means complicating the procedure of the League and leads to delay. Moreover, there is a tendency to think that we have done something really serious when we have appointed a special committee, whereas we have taken only the first step. If we ask the Assembly to appoint a special committee, it would be a special sub-committee of this Commission, to which it would have to report, and obviously it could not meet for some weeks, by which time we should have separated. Before any preliminary decision could be taken, a fresh meeting of this Commission would have to be held, and any decision would have to go to the Council of the League before action could be taken. Thus, it would mean a double reference, first to this Commission and then to the Council.

By referring the matter to the Economic Committee, which reports directly to the Council, part of the procedure would be short-circuited. I should have thought it would be preferable, in order to hasten a decision, to refer this question to the Economic Committee. The Council or the Assembly might be asked to request the Economic Committee to give it immediate consideration. It has been said that the Soviet Government is not in agreement with the proposal to refer the matter to the Economic Committee because it is a Committee of the League. This Commission, however, is also a Committee of the League. It has, moreover, been said that this proposal would not be satisfactory, because the Soviet Union is not represented on the Economic Committee. The Soviet Government, however, would be asked to send a representative and take part in the discussions and decisions.

Dr. Curtius has outlined the kind of special committee which he desires. He wants to have an elaborate and numerous body, consisting partly of experts and partly of representatives of the Governments concerned. But all the Governments are concerned in this matter; and, moreover, the Economic Committee is composed both of experts and also of those who are, in effect, representatives of the Governments interested. Indeed, the Economic Committee already contains not only representatives of the Members of the League but others chosen from non-member States. Therefore, it is by far the best body to deal with a matter of this kind, especially as it has already considered a number of similar questions. It is also very important that there should be represented on the Committee non-European as well as European countries.

Dr. Curtius really means that he wants to duplicate the Economic Committee, to obtain the services of another committee substantially similar. He recognises that it must include
representatives of countries outside Europe, which is obvious. This proposed Pact of Non-Aggression will require from all the countries concerned definite governmental action or abstention from action, if we are to have an economic truce of this kind; and, if that truce were not accepted by a great country outside Europe, its value would be enormously diminished. If the idea is to be practicable at all, the wholehearted co-operation of such countries is necessary; and, if they are not consulted, I do not doubt that they will look upon the matter less favourably than they would have done had they been consulted from the start. For these reasons, it would be far better to refer the proposal to the Economic Committee.

As an attendant for many years at meetings of the League, I venture to add one consideration, which perhaps will not appeal to M. Litvinoff, that it seems to me a great pity not to make use of the existing machinery of the League where that is possible and useful. We want to build up the prestige and authority of the League so that everybody will recognise that it is the great international authority. To be perpetually going outside its ordinary procedure and constituting other committees takes away from the authority of those committees, and is bad procedure.

M. Litvinoff concluded his speech with a kind of warning that if his views were not accepted his Government might withdraw its proposal. He will forgive me if I say that discussion by ultimata does not lead to agreement. If we are always going to say that unless our proposal is adopted in exactly the form in which we put it forward we shall withdraw it, I do not think we shall attain international co-operation. It is quite evident that, in reply to an observation of that kind, other observations might be made which would exacerbate feelings instead of soothing them. I beg M. Litvinoff not to continue along that line of discussion, and to consider whether the proposals I have made do not meet the great object we have in common, of reaching a rapid and authoritative decision on what we all recognise to be a very important and valuable proposal.

M. CIANCARELLI (Italy) [Translation]. — I have listened very attentively to previous speakers, particularly the Chairman; but I am quite unable to see that there is any real difficulty in the way of our accepting M. Litvinoff's proposal.

It has been said more than once that this question is a very serious and important one, that it needs to be considered from every angle and that it ought therefore to be referred to an organ of the League which has special competence in this sphere, and which will study it thoroughly and report to the Commission of Enquiry. The British representative has said that, in order to expedite the consideration of the matter, it should be referred, not to a special committee, but to the League Economic Committee, which is better fitted for rapid work. To my mind, rapidity is not the only thing we have to bear in mind. Lord Cecil suggested also that the Economic Committee should report directly to the League and that time would thus be saved.

The question before us is, in my view, a very simple one; it is merely one of procedure. What is the procedure invariably followed so far by our Commission in all issues examined by it? Our practice has been to appoint committees to examine the various questions. Why adopt another course now?

Again, as someone has said, not all the questions we have considered are of exclusively European interest. The question of preferential tariffs on grain, for instance, to which M. Litvinoff referred, is not, so to speak, of special concern to Europe, with the exception of the Soviet Union; it concerns in particular the non-European States; yet it was submitted to a Committee set up by the Commission of Enquiry. I see nothing to prevent us from following the same procedure in the case of the Pact of Economic Non-Aggression. In these matters, the general rule is almost invariably determined by practice.

I think, therefore, we might accept either of the methods of procedure proposed by M. Litvinoff. He says:

"If you think you can refer the pact to a committee of economic experts, do so; if you think it better to appoint a special committee, do so; it makes no difference to me. But why not treat my proposal in exactly the same way as other proposals that have come before this Commission?"

For these reasons, I support the request made by the representative of the Soviet Union.

There is one other point to which I wish to refer. During this discussion, it has been said that the Commission of Enquiry will have to finish its work at one time or another, that its continuance depends on the will of the Assembly and that the future cannot be predicted for the moment. It is true, on the other hand, that others have expressed the desire that the Committee should continue its work. That being so, we can, I am sure, agree without difficulty; there is no need for pessimism or exaggeration in any direction.

I remember being told that the members of certain religious sects never meet without saying to one another: "Memento mori". I do not think that to have that idea always in mind is the best way of doing anything practical.
TEVFİK ROUCHDY Bey (Turkey) [Translation]. — My delegation considers that it is not only desirable but the duty of this Commission to proceed immediately to the examination of the Soviet proposal. We are, I think, all agreed on the importance of that proposal. It should therefore be referred either to the Sub-Committee of Economic Experts or to a special committee appointed for the purpose, but in the latter case the special committee should be set up at once.

M. ZAUNIUS (Lithuania) [Translation]. — The question before us is, if I may say so, a constitutional one — namely, whether or no we should study the Soviet representative’s proposal, and, if so, how.

The position is, I must confess, somewhat embarrassing. The proposal bears, we all agree, on a very important subject; but we are almost at the end of our work and we have not yet found the means for an exhaustive study of the pact. We are still merely discussing whether or no it should be referred to a committee directly associated with the League.

The Soviet Government hesitates to assent to that course. We Members of the League sometimes, of course, have difficulty in appreciating the arguments of countries which are not Members. That is natural. If the countries in question shared our way of thinking, they would not remain aloof from the League. This fact, therefore, must be taken into account.

That being so, you will understand why I hesitate to try and bring moral pressure to bear on the representative of the Soviet Union or try in any other way to persuade him to drop the arguments he has advanced against reference to the Economic Committee. It would be unpardonable to force on a member of our Commission the embarrassment of having to choose between reference to a League committee and refusal to examine his proposal.

The German representative’s suggestion offers us a happy way out. Lord Cecil is no doubt right in saying that the appointment of a committee does not in any way mean progress in the discussion; but I am afraid that refusal to set up a committee or failure to find suitable means for investigating a question may be a step in the reverse direction.

For these reasons, we should accept Dr. Curtius’ proposal, which I beg to second. If that is not accepted, I shall move that we discuss the Soviet scheme here, in this Commission. There would be nothing new in that procedure; other matters, even of a specific character, have already been considered in plenary session, without having been referred to a committee or sub-committee.

I very much hope, however, that this last contingency will not arise, but that the Commission will agree to the German representative’s motion, which I support.

Mr. LESTER (Irish Free State). — I find it difficult to sympathise with those of M. Litvinoff’s arguments which are intended to disguise the fact that this is a League Committee and that he is participating in the work of the League.

We all of course sympathise with M. Litvinoff’s idea, but it is also generally agreed that a complete and profound study of this question is necessary. The definition of the terms used in such a pact and of its subsequent scope are of primary importance, as failure in that respect might well lead to a series of disputes instead of helping to ameliorate the economic relationships of the various States.

As regards the suggestion to refer the pact to the Economic Committee, I should like to say that the latter has of course already merited the gratitude of every Member of the League, and we all know that its members are exceptionally gifted and trained for the study of the question. It seems to me, however, that that Committee has already enough work to keep it in session as long as the Disarmament Conference. In these circumstances, I feel that the German proposal to appoint a special committee is more suitable and more acceptable. It has been suggested that, if an organ other than the Economic Committee is used there will be a delay, but this would scarcely affect the putting into operation of the proposed pact. The Council will meet in January and the special committee might have completed its work by then. Before the pact could be open for signature, it would probably be necessary to refer it to the Assembly.

Another point which has been discussed is the representation of non-European States. While I view with the greatest sympathy the proposal to consult non-European interests, I might point out that preferential treatment for European wheat and regional economic agreements in Europe are also matters for non-European countries to consider, but there has been no suggestion that we should suspend our work or refer it to another organ. The question of discrimination with which the pact deals is unfortunately primarily European, but, if it were so desired, non-European States could share in the work of the proposed special committee as well as in that of the Economic Committee.

In conclusion, the Irish Free State delegation agrees with the Turkish Foreign Minister that the pact should be studied as soon as possible. If the appointment of a special committee
is not acceptable to the Commission of Enquiry, my delegation would gladly accept the
services of the Economic Committee.

M. Litvinoff (Union of Soviet Socialist Republics). — Some of Viscount Cecil's remarks
are not very convincing. One of his arguments against transferring the pact to another
committee is that the Sub-Committee of Economic Experts consists of busy people who cannot
be expected to come to Geneva again to deal with this question.

Viscount Cecil of Chelwood (Great Britain). — I did not say that. I said there would
be a delay.

M. Litvinoff (Union of Soviet Socialist Republics). — The argument put forward was
that the members of that Committee would be too busy to come when required, which amounts
to the same thing. Viscount Cecil and other delegates say that the pact is of primary
importance and consider its adoption very desirable; yet it is regarded as a matter with which
the experts are only to occupy themselves when they are not too busy. Any matters are
apparently more important than a Pact of Non-Aggression. I cannot agree with that attitude.
If we want to remove distrust and to remedy the crisis, we must remove its causes as soon as
possible. I know the experts are busy men, but they have not hitherto refused to give up
their ordinary business to come to Geneva. Why should we suppose that they will take an
exceptional attitude in the present case? Their Chairman has not shown any desire to
avoid this task.

I never said that I objected to the Economic Committee on account of its being a League
of Nations organ, although this argument has been ascribed to us by other delegates. I
said nothing to lead the Commission to believe that I want to disguise the League of Nations
character of the Commission of Enquiry for European Union. The Soviet delegation came
here to take part in the work of a commission on which European States are represented.
We also came to the Preparatory Commission for the Disarmament Conference and to other
League Conferences and regarded ourselves only as members of those bodies, and their
relations to the League of Nations is no concern of ours.

Viscount Cecil tried to convince me that to transfer the study of the pact to the Economic
Committee would be a short cut, because instead of reporting to this Commission the Economic
Committee would report directly to the Council. My country is not a member of the Council
of the League of Nations; consequently, the Economic Committee would report to a body on
which it is not represented.

I cannot pass over another of Viscount Cecil's remarks. He told me that I presented an
ultimatum. I assure him that presenting ultimata does not come within the practice of the
Soviet Government. It has never presented ultimata, but it has received ultimata. Viscount
Cecil knows that as well as I do. If we are attacked, we say: "Stop, or we shall retaliate".
In this case, I cannot see how my warning could be considered as an ultimatum. The
Commission has not shown such love for my proposal that it would be frightened at the
prospect of its withdrawal. I think it rather invited its withdrawal, if anything.

M. Flandin (France) [Translation]. — There are really three questions before us: A
question of procedure, a question of substance and a question of form.

As to procedure, it is a matter of indifference to me to which committee this proposal
is referred, whether to the Sub-Committee of Economic Experts, the Economic Committee,
a special committee or a new organisation appointed ad hoc. Logically, it should have been
referred to the Conference with a view to concerted Economic Action, for there could be no
better concerted economic action than the discussion of a pact of non-aggression. That,
however, is the only procedure which has not been proposed.

The proposal to refer the question — which is almost exclusively the concern of
Governments — to a committee of experts on which those Governments are not represented
is a possible solution, but I do not think it is a very logical one.

I see no objection to appointing a special committee, for, as I say, the actual procedure
is of little importance. It is the question of substance and form with which we are concerned.

As regards the question of substance, I said yesterday that I fully accepted the principles
which have been developed in connection with the Pact of Economic Non-Aggression. I
said that no one would welcome the cessation of economic war in the world more than we should.
It remains to decide whether the form in which the Pact of Non-Aggression has been drawn
up would lead to that result. I have already said that, in view of its terms, I do not believe
it would.

I realise that the proposal to condemn any country taking a line on some particular issue
which involves decisions running counter to the interests of another country might well
prove a subtle weapon in the hands of certain countries having a particular economic system
of their own. In this connection, I desire to make the following declaration. My delegation
reserve the right, when the Pact of Economic Non-Aggression comes to be discussed by whatever
Committee is selected for the purpose, to put forward counter-proposals and amendments. We shall not countenance any manœuvre to enable a special economic system to shelter behind formulae, such as a monopoly of foreign trade, as a means of enabling it to take steps which would have the same effects as the administrative action which the pact proposes to prohibit. We shall not allow any such country, on the pretext that it is adhering to the terms of the pact (the terms of which it has itself ingeniously prepared), to pose as an innocent victim of the public opinion of the world because regular administrative measures have been taken by other countries which do not possess the same economic system or the same monopoly of foreign trade.

We have lost a good deal of time in discussing procedure. Whatever procedure the Committee adopts, my delegation will be satisfied. But, when once the procedure is settled, we reserve our position as to the substance and form of the problem.

The Chairman [Translation]. — I declare the discussion on this question closed, and will now summarise the position, a difficult and delicate task.

In the first place, the length of our discussion shows the importance of the question of procedure. Personally I do not think the time has been wasted.

We have here a question of form as well as a question of principle. The question of form is very simple: whether we shall refer the matter to the Economic Committee or to a special committee. It is intelligible that there should be some hesitation between the two methods. Viscount Cecil thinks the pact should be referred to the Economic Committee. Dr. Curtius considers that it would be better to constitute a special committee. I am not sure whether M. Litvinoff would agree to the creation of a special committee, or whether he insists on the proposal he made in the Drafting Committee — namely, to refer the question to the Sub-Committee of Economic Experts.

It is the question of principle, however, which is of the greatest importance, and that question is as follows: We are on the eve of the Assembly of the League of Nations, to which we have to submit a report. The Assembly has, in theory, the right to declare this Commission dissolved, on the ground that it is not in conformity with the interests of the League of Nations. I do not think it will do so, in view of the harmony which exists and will continue to exist between this Commission and the League, but, in the circumstances, can we decide to set up a special committee before we have ascertained the views of the Assembly?

We are considering a world problem. There is no question about that. We have before us other questions which may have world aspects, but not of so pronounced a character. The Pact of Economic Non-Aggression might be compared with the Pact of Paris; they are on the same plane. No doubt the Assembly is competent to take a decision on this matter and can authorise our Commission to constitute a special committee; but I think that, before setting up such a committee, we should await the Assembly's opinion. It would be difficult to tell the Assembly that we have come to a decision on a question which is outside our competence without having had regard to the Assembly's prerogatives. The latter would be entitled to declare that our procedure was incorrect. Can we treat the Assembly, which is the most august body in the world, so lightly? That is why the question of principle dominates the whole problem. I thank Dr. Curtius for having realised this. He told us that there could be no doubt as to the question of competence, and that the Assembly's competence must be respected. The Commission can therefore adopt either solution, on the understanding that the Assembly's rights are fully reserved.

M. Hymans (Belgium) [Translation]. — As we are submitting a report to the Assembly, the latter will be able to take a decision in regard to our conclusions.

The Chairman [Translation]. — That is so. The committee in question would be constituted after the Assembly had discussed the question. If this Commission decides to appoint a special committee, it would be created at the next session of the Commission of Enquiry for European Union, on condition that we have the Assembly's authorisation to do so.

In any case, I must call attention to the Assembly's rights. It is easy to understand that some States which are not Members of the League of Nations should not have the same anxiety as the States Members; but I should fail in my duty if I did not stress this aspect of the problem.

M. Munch (Denmark). — There are a certain number of delegates here who attach no great importance to the question of procedure pure and simple; but the substance of the matter calls for thorough and rapid study, and I think we all agree that we need the Assembly's approval before proceeding with such study.

If a vote is taken on the point of procedure (viz., whether we should refer the matter to this or that committee, or to this or that already existing organisation), and the result is not unanimous, our decision may give rise to political interpretations which will not be helpful to our future work. I therefore suggest that the Chairman call together the authors of the different proposals and attempt to secure unanimity, and that we should adjourn our decision in the meanwhile.
The CHAIRMAN: I have just received the following proposal from Dr. Curtius:

"The Commission of Enquiry for European Union is of opinion that a special committee composed of . . . should be set up to study the proposed Pact of Economic Non-Aggression as rapidly as possible, after the approval of this proposal by the Assembly."

Would Dr. Curtius agree to omit any reference to the composition of the special committee, it being understood that the country which proposed the Pact must be represented? I think that should meet M. Litvinoff's wishes.

Dr. Curtius' proposal has two advantages. First, it brings out clearly the idea that we are proposing a special committee, and, secondly, it recognises the Assembly's competence.

If the Commission could accept that proposal, and abandon the idea of referring the pact to the Economic Committee, I personally should be able to adopt Dr. Curtius' suggestion. Perhaps M. Litvinoff would tell us whether he will accept it.

M. LITVINOFF (Union of Soviet Socialist Republics).— I agree that too much time has been spent on the question of procedure. In the same space of time we could have studied the substance of the pact itself. The discussion has become rather confused, because some speakers have dealt only with procedure, while others (M. Flandin, for instance) have gone into questions of substance. I should be quite ready to answer him on this plane, but I do not want to prolong the discussion.

The Chairman referred to the Pact of Paris. I would remind him that that pact first formed the subject of correspondence between the United States and French Governments. It was then accepted by a small group of countries and afterwards all the countries were asked to join it. I do not say that that is the best method. I only wish to remind you of it.

I desire that this Commission of Enquiry should immediately set up a sub-committee to study the pact and report to the Commission of Enquiry at a session to be held immediately after the Assembly. Presumably, all the representatives of Governments and the experts will be on the spot then and will not have to come again to Geneva. I see no obstacles in the way and think that would be the most practical method of dealing with the question. If that is impossible, I shall not object to the establishment of a special committee. What I do object to is the suggestion that the matter must be postponed to the next session. If a special committee is set up, I will withdraw my proposal to refer the pact to the Sub-Committee of Economic Experts. I have no special predilection for that Sub-Committee; I only wish a committee to be set up now, so that I may go home knowing that the question is being dealt with and has not been left in the air. I accept Dr. Curtius' proposal to set up a special committee at the present session.

The CHAIRMAN: I would point out that Dr. Curtius' proposal is that a special committee should be set up only after the Assembly has approved that procedure. The proposal has the advantage of reconciling two different views — namely, the view of those who were in favour of referring the pact to the Economic Committee and the view of those who were in favour of constituting a special committee. Such special committee could, however, only be constituted at the next session of the Commission, that is to say after the Assembly has had an opportunity of discussing the report which we shall submit to it. There is therefore some difference of opinion between M. Litvinoff and Dr. Curtius. If M. Litvinoff is prepared, in a spirit of conciliation, to enable Members and non-members of the League to take a unanimous decision, I think he should say that he accepts Dr. Curtius' proposal, and, in that case, I myself would suggest acceptance of the proposal.

Viscount Cecil of Chelwood (Great Britain).— I am most anxious that there should be no division on a question of procedure. I still think my proposal was most business-like and practical; but if we can obtain unanimity by adopting Dr. Curtius' last proposal, I will not stand in the way. My only hope is that, when the committee is appointed, due regard will be had to the fact that the world outside — as well as the European States — is very interested in this question. Subject to that caution, which the Assembly will no doubt consider, I accept Dr. Curtius' proposal.

M. LITVINOFF (Union of Soviet Socialist Republics).— I wish to be clear about the proposal. Am I right in stating it this way: The Commission of Enquiry for European Union decides to set up a special committee for study of the pact, but the committee will be nominated at the next session?

The CHAIRMAN: After approval by the Assembly.

M. LITVINOFF (Union of Soviet Socialist Republics).— That being so, I can only say that this proposal is more acceptable than the other, and leave it to the Commission to decide.
The Chairman [Translation]. — That is practically an acceptance. Dr. Curtius' proposal is as follows:

"The Commission of Enquiry for European Union is of opinion that a special committee should be set up to study the proposal for a Pact of Economic Non-Aggression as rapidly as possible, after the approval of this proposal by the Assembly."

M. Litvinoff (Union of Soviet Socialist Republics). — I think it should be stated that the committee is to be set up at the next session of the Commission of Enquiry.

The Chairman [Translation]. — That is understood from the phrase "as rapidly as possible". The Assembly will give the necessary authorisation.

The proposal was adopted unanimously.

VI. Liaison with the League Advisory Organisations:

Resolution VI was adopted.

The letter and resolutions to be transmitted to the Assembly were adopted as a whole (Annex 12).

43. Close of the Session.

After the customary expression of thanks, the Chairman pronounced the fourth session of the Commission of Enquiry for European Union closed.
ANNEX 1.

GENERAL REPORT SUBMITTED BY THE CO-ORDINATION SUB-COMMITTEE ON ECONOMIC QUESTIONS.

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Appendix: List of Documents submitted to the Co-ordination Sub-Committee for Examination | 38 |

The Sub-Committee was composed as follows:

President: His Excellency M. Joseph BECH (Luxemburg).

Albania: His Excellency Dr. Johannes SCHÖBER.

Austria: M. Ferdinand J. VAN LANGENHOVE.

Bulgaria: M. Dimitri MIKOFF.

Czechoslovakia: His Excellency Dr. K. KROFTP.

Danzig (Free City of): His Excellency M. Auguste ZALESKI.

Denmark: M. William BÖRBERG.

Estonia: His Excellency M. Jaan TÖNİSON.

Finland: His Excellency Dr. Rudolf HOLSTI.

France: His Excellency M. FRANÇOIS-PONCET.

Germany: His Excellency Dr. Julius CURTIUS.

Great Britain: Sir Sydney CHAPMAN, K.C.B.

Greece: His Excellency M. Nicholas POLITIS.

Hungary: M. Etienne DE WINCHELKER.

Ireland: Mr. Sean LESTER.

Italy: His Excellency M. Dino GRANDI.

Latvia: His Excellency M. Karlis ULMANIS.

Lithuania: M. K. DORKEVICIUS.

Luxembourg: His Excellency M. Joseph BECH.

Netherlands: His Excellency M. H. COLIN.

Norway: M. Rolf ANDVORD.

Poland: His Excellency M. Auguste ZALESKI.

Portugal: His Excellency Dr. Augusto DE VASCONCELLOS.

Romania: His Excellency M. Constantin ANTONIADE.

Spain: His Excellency M. Alejandro LERROUX.

Sweden: M. Walter STUCKI.

Switzerland: His Excellency Dr. TEFVIK ROUGHDY BEY.

Unions of Soviet Socialist Republics: M. Maxime LITVINOFF.

Yugoslavia: Dr. Iliya CHOMENKOVIČ.

Observers:

China: His Excellency Dr. Woo KAISEMING.

Japan: M. ITO.
INTRODUCTION. 1

1. Before submitting to the Commission of Enquiry for European Union our proposals in regard to the reports that have been laid before us, we should like to dispel a certain impression of incoherence that might arise on account of the number of those reports and the variety of the subjects dealt with by the various committees.

In point of fact, anyone who can succeed in grasping the relations between these subjects will find that there is not one of them that is not intimately linked with all the others. Thus the extent and urgency of credit problems — whether they affect Government loans or commercial credit — now demonstrate more clearly than ever that the whole foundation of economic life resides in a ready and adequate supply of capital. These problems are directly connected with action in the matter of public works or national equipment, to which part of the International Labour Office report is devoted. This action, again, if successful, might provide valuable outlets for skilled labour, and thus touches on the problem of the international provision of employment.

Finally, the circulation of capital is so closely bound up with the circulation of goods that it must hold a foremost place in any scheme aiming either at greater freedom of international trade in general or at the disposal of cereals in particular.

Similarly, we find that the problem of labour migrations and that of the treatment of foreigners form a counterpart, in any conception of a better economic organisation, to the problem of the reduction of tariff barriers, on which depend in the case of agriculture the demand for greater facilities for the trade in stock-breeding products, and in the case of industry the problem of a rational development of the different forms of industrial organisation on international lines.

All these questions, together with others mentioned — for example, in the Unemployment Committee's report on the co-operation of the factors in production for the exploitation of territories not utilised — touch, complete one another and overlap, each demanding its own special place in the conception of a rapprochement which is the dominant feature of the report of the Sub-Committee of Economic Experts.

The Commission of Enquiry for European Union should therefore examine the various reports as a single whole, without losing sight of the influence of each of these questions on the others.

It is in the hope of assisting the Commission in this direction that we have grouped all the different subjects together in this report, though we have no time to examine them in detail.

2. There is, however, a fundamental idea which in one form or another occupies the foremost place in almost all the reports. We refer to Europe's urgent need of a prompt restoration of confidence, meaning by that both the indispensable faith of the capitalist, the merchant, the manufacturer in the stability of the economic system in which they operate and the imperative necessity of being able to count on stable and cordial international relations in the political sphere.

The Sub-Committee of Economic Experts, in particular, views the absence of confidence, if not as the sole cause of the present crisis, at least as the principal factor which tends to maintain and prolong it."

" It is for the Governments, supported by public opinion, to make efforts to achieve closer co-operation and mutual support in order to restore a better state of affairs."

On that condition alone does the Sub-Committee anticipate any large scale revival of trade and financial operations.

The Committee on Credit Problems heavily stresses the same idea.

The Co-ordination Sub-Committee accordingly expresses the earnest hope that the meetings of the Commission of Enquiry for European Union and the League Assembly will afford an opportunity of stimulating and encouraging a policy of genuine international co-operation.

I. ECONOMIC RELATIONS AND INDUSTRIAL ORGANISATION.

1. The report by the Sub-Committee of Economic Experts is distinguished by one special feature from the numerous reports previously published by the League on similar subjects, and, in particular, from the conclusions of the World Economic Conference of 1927. This feature is the assertion, by a group of men who are daily at grips with the difficulties of economic life, that even when Europe has emerged from the present crisis she cannot hope for a real economic revival unless she is prepared gradually to adapt the traditional conception of separate national economic units and to approximate it — with

1 The reports of the various special Committees and the other documents submitted for consideration by the Co-ordination Sub-Committee and the Minutes of the latter are enclosed with this report and are listed in the Appendix to it.
every necessary precaution, and possibly in forms as yet unknown — to the conception of one vast market accessible on equal terms to all or most of the producers of Europe.

"The ultimate goal must be the widest possible collaboration of the nations of Europe in the sense of making Europe a single market for the products of any and every country in it."

The experts are convinced that a mere return to the traditional pre-war state of affairs would not suffice to achieve the two-fold object which it is our business to pursue: to contribute to the establishment of a lasting peace and to provide the necessary conditions for such a development as Europe is entitled to expect, since for generations she has freely given intellect, man-power and capital to all the other continents and is still, despite her misfortunes, equipped with the most powerful and varied means of production.

It is this consideration that has led our experts to contemplate the possibility for the European countries of rapprochements capable of developing into an economic and Customs union of the whole of Europe.

Anxious, however, not to aggravate the present difficulties by importing disquietude into the public mind and uncertainty into commercial relations, they have endeavoured to accompany this idea with a series of guarantees, chief among which are the following:

The groups of countries which these rapprochements affect should be such as to ensure that they are in conformity with the general interest and contribute to the general progress of Europe. They should include free movement of individuals, goods and capital and, indeed, all forms of economic activity, so that a fair balance may be established between advantages and sacrifices. The idea of the future economic solidarity of Europe should be subordinated to the principle of the equitable treatment of commerce, thereby ensuring increasingly close and profitable mutual relations with other countries, especially non-European countries. Finally, should they affect the rights conferred by the most-favoured-nation clause, these agreements should not be allowed to come into force until an understanding has been reached with the countries concerned.

2. We have long been accustomed to consider the phenomenon of commerce from an exclusively national standpoint — that is to say, as representing the relations of every kind between a given economic unit and all the other economic units. Now comes the dominant idea of the economic experts suddenly to change our whole outlook and oblige us to take a bird’s-eye view of the network of varied economic relations established among a large number of countries. We are a little staggered by the number and variety of the problems raised by the idea of European rapprochements.

Moreover, we realise, like the experts, that it would be extremely difficult in the present circumstances to ask countries which are struggling desperately with the crisis to agree in the interests of Europe to any appreciable reduction of their measures of protection. Pending a return to better conditions, however, we think it necessary, while contenting ourselves for the moment with such modest progress as may be possible, to attempt to change this defensive mentality gradually into a constructive mentality.

We would therefore propose that the Commission of Enquiry for European Union instruct the League Economic Committee, with the help of the material to be prepared by the Secretariat for its use, to study the complex of problems raised by the idea of "economic rapprochements" in order to bring it before us in more concrete and accessible forms.

The report of the Sub-Committee of Economic Experts — of which the Co-ordination Sub-Committee has taken cognisance without expressing itself on points of substance — should also, we think, be communicated to all the Governments represented on the Commission of Enquiry for European Union, with a request for their observations. This, together with the other material, will afford the Economic Committee every opportunity — provided it is given sufficient time — for a conscientious and thorough examination of the question.

We agree on this point with the Sub-Committee of Economic Experts and we recommend at once that, with the Council's approval, the Economic Committee should be encouraged to resume and pursue its consultations concerning the most important branches of production.

Based on the idea of "economic rapprochment", these consultations should give all those concerned, without exception, an opportunity of examining together the best methods of ensuring a better organisation of each branch of production and of thus contributing to the work of solidarity pursued by the Commission of Enquiry for European Union.

The economic experts, in transmitting their report, requested their Chairman to draw our attention to the fact that "it would undoubtedly be advantageous if, as soon as the form and purpose of the plans in contemplation with a view to bringing about this rapprochement have sufficiently taken shape, an opportunity may be provided for a full examination of the possible repercussions and effects which such plans might produce on the interest of non-European States".

This preoccupation of the experts seems to us entirely justified, and we think that the Economic Committee, composed as it is of highly qualified experts enjoying general confidence and chosen from among the different continents, would be particularly competent to undertake this examination.
II. CREDIT PROBLEMS.

1. STATE LOANS.

The Co-ordination Committee has examined the report transmitted to it by the Committee of Government Experts which, together with a delegation of the League Financial Committee, has examined the problem for which the Council appointed it — namely:

"To consider what practical steps could be taken to facilitate the issue of Government loans of an international character by more active intervention on the part of the League of Nations, within the scope of its organisation and in agreement with the bodies controlling the principal markets."

This Committee on Credit Problems has also had before it the various suggestions made by the French delegation at the session of the Commission of Enquiry for European Union in May 1931 and the results of the enquiries undertaken by the International Labour Office in connection with public works.

With reference to the specific questions submitted to it, the Committee on Credit Problems endorsed without hesitation the proposal of the French Government that the Financial Committee, acting in accordance with the instructions received from the Council of the League, should be prepared to consider such applications from borrowing States as may be made to it for its assistance.

In addition, it indicated the procedure which should, in its opinion, be adopted in this connection. It observed that the Financial Committee, which is the advisory body to the Council in such questions, possesses quite special authority and experience in these matters, and that the creation of a new organism should not be contemplated. It suggests, however, at the same time that, for the purpose of such work as may arise in connection with the issue of international loans in the future, close co-operation with the Bank for International Settlements would be desirable, and that the assistance of Treasury officials would prove useful. In this connection it recalls that the Financial Committee has, in the past, adopted on several occasions a system of creating ad hoc delegations consisting of its own members and other persons with special competence in the matters under consideration.

The Commission of Enquiry for European Union may therefore deem it desirable to suggest that the Council should give its approval to the appointment of one or more delegations of this character whenever it may be desirable to have the assistance of Treasury officials.

The various detailed proposals made by the Committee on Credit Problems on other subjects referred to in the document submitted by the French delegation in May 1931 to the Commission of Enquiry for European Union the Council will no doubt desire to refer to the appropriate League organs.

2. LONG- AND MEDIUM-TERM CREDITS.

The Sub-Committee of Economic Experts took up an interesting proposal by M. Francqui for the creation of an institution for long- and medium-term credits.

The Co-ordination Sub-Committee proposes that the Commission of Enquiry for European Union should ask the Council of the League to give instructions for the study of M. Francqui's scheme as soon as possible with his assistance.

3. SHORT-TERM AGRICULTURAL CREDITS.

The Co-ordination Sub-Committee has received a communication from the International Institute of Agriculture (Annex 6) concerning the creation of an international organisation for short-term agricultural credits. It noted that the Institute proposes to hold a Conference to come to a final decision on this subject.

III. AGRICULTURAL QUESTIONS.

1. REPORT OF THE CEREALS COMMITTEE.

The Co-ordination Sub-Committee reviewed the work done by the committee appointed to study the problem of the export of future harvest surpluses of cereals.

To cope with the special difficulties affecting the grain-growing populations of Central and Eastern Europe, and in response to the appeal made to the Commission of Enquiry for European Union in December 1930, systematic action has been taken in several different directions.

An attempt had been made to organise the international wheat market. The Co-ordination Sub-Committee regrets the failure of the London Conference (May 18th to 23rd, 1931) to secure a broad international agreement, on a world basis, between the European and the overseas wheat-exporting countries; it expresses the hope that the efforts to conclude an agreement will be continued energetically.
2. TREATIES CONTAINING PREFERENTIAL CLAUSES.

Attempts have also been made to establish bilateral convention agreements for Customs preference for purchases of grain from certain Central and Eastern European countries.

The Co-ordination Sub-Committee notes in this connection that the Cereals Committee (in pursuance of the conclusions of the Second Conference for Concerted Economic Action) has put forward certain conditions, precautions and rules for ensuring that these agreements have the character they must retain—that is to say, that they have the character of temporary and limited exceptions to the most-favoured-nation clause, and do not form a new and permanent system which would be capable of further development and might eventually supersede the old one.

The Sub-Committee thinks that the Commission of Enquiry might recommend that these rules be complied with, including those relating to the sanction of third parties and publicity.

The Sub-Committee, having examined the preferential arrangements laid down in the German-Roumanian Commercial Agreement of June 27th, 1931 (Annex 7), and the German-Hungarian Commercial Agreement of July 18th, 1931 (Annex 8), expresses the opinion that these arrangements are in keeping with the principles laid down at the Second International Conference for Concerted Economic Action on November 28th, 1930, and that they fulfill the conditions laid down in the report of the Committee to Study the Problem of the Export of Future Harvest Surpluses of Cereals, subject to the consent of the other countries interested.

The Sub-Committee points out that the action taken in the agricultural sphere has been rounded off by the institution of an international mortgage credit. It has learnt with satisfaction of the progress made by the Organising Committee appointed by the Council. It recommends that the third and last step in the foundation of the Institute be taken without delay.

The Sub-Committee is of opinion that the Cereals Committee could still do useful work by examining the most suitable measures for remedying the situation. At its next session, the Commission of Enquiry might perhaps summon a further meeting of the Cereals Committee.

3. REQUEST FOR THE EXTENSION OF PREFERENCE TO AGRICULTURAL PRODUCTS OTHER THAN GRAIN.

The Co-ordination Sub-Committee examined a memorandum by the Greek Government (Annex 9) on the extension of special facilities to agricultural products other than grain. The ideas set forth in the memorandum were supported by a number of delegations which also asked for the extension of the system to other products.

The Sub-Committee considered that this question should continue to be studied by a special committee like the Cereals Committee. The Commission of Enquiry for European Union expects to be informed of any bilateral agreements, similar to those already concluded on the subject of cereals, that may be concluded in the meantime.

4. TRADE IN STOCK-BREEDING PRODUCTS (Annex 10).

The Co-ordination Sub-Committee heard a statement by the Chairman of the Economic Committee of the League on the position of the work being done for the improvement of the trade in stock-breeding products and raw materials of animal origin for industrial purposes. It noted that three draft veterinary conventions prepared by the Economic Committee in consultation with qualified experts have already been communicated to Governments for their observations, with a view to a future international diplomatic conference on the three drafts.

Inasmuch as these drafts are not concerned with the paramount question of the export and import of animals and meat, the Polish and Czechoslovak delegates, supported by other delegates, made proposals for the work in progress for the introduction of a liberal regime, as regards the trade in and transit of stock-breeding products to be expedited, and for the Economic Committee of the League of Nations to be requested to prepare a preliminary draft international convention on the import and export of animals, meat and other products of animal origin.

IV. UNEMPLOYMENT.

The problems connected with labour, which have become exceptionally acute owing to the severe unemployment crisis, were taken up and examined by the various Committees with special care.

1. The Co-ordination Sub-Committee considers that the Commission of Enquiry should approve the proposals concerning international placing and, in particular, those for the summoning of a technical conference, to meet upon the terms and with the agenda suggested.

2. The Sub-Committee firmly believes that the execution of public works of common interest might be very valuable to European co-operation, and therefore proposes that the conclusions as to public works put forward by the Unemployment and Credit Problems
Committees be approved and that the examination of any schemes submitted by Governments to the League of Nations be undertaken by the Committee of Enquiry set up for this purpose by the Communications and Transit Organisation. The latter Committee should be completed by the addition of representatives of the International Labour Office and, if necessary, of the competent organs of the League.

Should the execution of the public works in question require financial support from the League, the conclusions of the Committee of Enquiry would be submitted to the Financial Committee.

The Commission of Enquiry for European Union would be kept informed of the progress of this work.

3. The Sub-Committee has taken note of the suggestions made by the International Institute of Agriculture with a view to the co-operation of the various factors of production for the exploitation of territories not utilised. It agrees with the Unemployment Committee that these suggestions must inevitably, sooner or later, exceed the European horizon, and proposes that the League Council should submit them for examination by its competent organs, in concert with the Unemployment Committee.

V. PACT OF ECONOMIC NON-AGGRESSION.

The Co-ordination Sub-Committee discussed the draft Pact of Economic Non-Aggression presented by the delegation of the Union of Soviet Socialist Republics. It recommends to the Commission that the Pact be studied in greater detail.

The delegation of the Union of Soviet Socialist Republics suggested that, if no immediate decision could be reached, this study should be entrusted to a special committee to be appointed by the Commission of Enquiry.

VI. LIAISON WITH THE LEAGUE ADVISORY ORGANISATIONS.

The Co-ordination Sub-Committee expresses the opinion that the examination and study which may be referred to the League's permanent advisory bodies, and to which reference is made in this report, should be pursued in liaison with the Commission of Enquiry. The liaison should be established through a member of that special committee of the Commission of Enquiry which has studied the question with which the permanent technical organisation is called upon to deal.

VII. CONCLUSIONS.

The wealth and abundance of the material investigated by the Co-ordination Sub-Committee will be clear from the foregoing.

There are, however, in this wealth of material, certain major guiding ideas which the Sub-Committee would, in conclusion, like to emphasise.

The first of these is that the psychological factor dominates the economic crisis affecting most nations to-day, and it is for politicians, above all, to influence men's minds by spreading through the world, by their actions, a general feeling of confidence.

The second idea is that there is no one miraculous prescription capable of restoring economic equilibrium in a few months, nor is there any single strict theory which can be recommended as capable, in itself, of leading to success. It would rather appear to be necessary to discard every preconceived opinion, to be guided by experience, and to seek for remedies wherever there seems to be a chance of finding them.

All the efforts and attempts referred to in this report will be effective if they are permeated by a spirit of co-operation, association and mutual aid.

It should not be forgotten that, by virtue of its scale and its general character, the present economic crisis raises new problems, to the proportions and complexity of which men's minds will have to adjust themselves. If they do so unreservedly, each contributing his due share to the common task, hope and confidence will take the place of anxiety and doubt.

Appendix.

List of Documents submitted to the Economic Co-ordination Sub-Committee for examination (August 31st, 1931).


   Document C.504.M.211.1931.VII.


5. Communications from the German and Roumanian Governments regarding Preferential Customs Duties for the Import into Germany of Barley for Fodder and of Roumanian Maize. Document C.503.M.210.1931.VII.

6. Communications from the German and Hungarian Governments regarding a Preferential Customs Duty for Wheat of Hungarian Origin when imported into Germany. Document C.507.M.213.1931.VII.


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**ANNEX 2.**

**REPORT OF THE SUB-COMMITTEE OF ECONOMIC EXPERTS.**

**LETTER FROM THE PRESIDENT OF THE SUB-COMMITTEE OF ECONOMIC EXPERTS TO THE PRESIDENT OF THE CO-ORDINATION SUB-COMMITTEE ON ECONOMIC QUESTIONS.**

Geneva, August 29th, 1931.

In transmitting to you the attached report of the Sub-Committee of Economic Experts, I have the honour to inform you that all its members are anxious that the economic rapprochement, which they hope to establish between the countries of Europe, far from proving harmful to the economic relations existing between Europe and the other parts of the world will, on the contrary, have the effect of intensifying those relations and rendering them closer and more beneficial to both sides.

The Sub-Committee considers that it would undoubtedly be advantageous if, as soon as the form and purpose of the plans in contemplation, with a view to bringing about this rapprochement, have sufficiently taken shape, an opportunity may be provided for a full examination of the possible repercussions and effects, which such plans might produce on the interests of non-European States.

(Signed) TRIP.

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1 The Sub-Committee was composed as follows:

**President :** M. Leonardus Trip (Netherlands).

- **Belgium :** His Excellency M. Emile Francqul.
- **British Empire :** Sir Walter Layton.
- **Czechoslovakia :** M. Jan Duvcacek.
- **France :** M. Rene Ducheemin.
- **Germany :** M. Clemens Lammers.
- **Italy :** His Excellency M. Giuseppe de Michelis.
- **Netherlands :** M. Leonardus Trip.
- **Poland :** Dr. Paul Minkowski.
- **Sweden :** M. Bjorn Przyt.
- **Union of Soviet Socialist Republics :** Professor Eugène Preobrajenski.
INTRODUCTION.

In accordance with the resolutions on economic questions adopted on May 28th, 1931, by the Committee of Enquiry for European Union, we were appointed by our Governments to examine in complete freedom and in a spirit of liberal understanding all means which might seem calculated to bring about closer and more profitable co-operation between the different countries with a view to improving the organisation of production and trade.

Our Committee approached its task with a desire to avoid any incursion into the political sphere and to limit its study entirely to strictly economic problems.

In examining the causes of the crisis and its evolution, however, it was struck by the primary importance of the part played by the factor of confidence in aggravating the world situation.

The growing international distrust is accentuating the effects of the crisis, increasing the obstacles to the normal circulation of capital and obstructing to an ever-increasing extent the whole mechanism of international trade.

Lack of confidence not only entails stagnation of capital, reluctance to lend abroad, and refusal to enter into long-term undertakings, but also tends to paralyse and retard all forms and phases of economic life.

The result is a flagging of the spirit of enterprise, the postponement of programmes already decided upon, the abandonment of the search for new markets, the limitation of the purchase of raw materials to daily requirements, and the dismissal of workers.

Lack of confidence is revealed not in what is done, but in what is left undone. Excessive caution has taken the place of productive activity, stagnation that of progress.

No doubt many other reasons lie at the root of the crisis, and mistakes have been made; but it is the psychological condition just described which tends to maintain and prolong it.

It is for the Governments, supported by public opinion, to make efforts to achieve closer co-operation and mutual support in order to restore a better state of affairs.

Such an attempt, by removing disturbing elements, will help to revive trade and promote the resumption of financial and economic operations on a large scale.

We fully realise, however, that a return of confidence would not in itself be enough to bring about any substantial measure of recovery.

There would still remain a large number of problems arising out of the collapse in the prices of raw materials, the difficulty of adjusting the levels of prices under existing circumstances, the disequilibrium between production and consumption, the necessary reduction of costs and the excessive increase in public expenditure.

Some of these problems lie outside our competence, while others can only partially be influenced by European co-operation.

Even if normal conditions return, however, the question will still remain whether the peculiar weakness of the economic structure of Europe is not largely due to its division into a large number of units.

We are unanimously of opinion that there is no prospect of improving the economic situation of the world, and of Europe in particular, without a freer circulation of goods, capital and labour. Very great efforts have undoubtedly been made in this direction by the League of Nations — particularly since the World Economic Conference of 1927. It is possible, however, that these efforts, in giving chief prominence to the establishment of greater freedom in the circulation of goods, may not have taken sufficient account of the connection which should exist between this question and that of the circulation of capital and labour. In any case, we are compelled to admit that the League's efforts in this sphere have so far led to very inadequate results.

This failure is due not to lack of good-will on the part of the Governments, but primarily to the numerous and increasing difficulties which several countries have encountered and are still encountering as a result of the war and the world depression.

Hence we have considered whether by a new conception of European co-operation and by a concerted modification of the economic relations existing between the countries of that continent, it would not be possible to bring about a new state of affairs which would promote both economic development and lasting peace in Europe.

Any effort in this direction must clearly be based on a spirit of loyal co-operation and the laying aside of any feeling of distrust which might hinder the achievement of the desired goal.

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We have therefore devoted the greater part of our report to the important problem of international trade. We have also considered that the organisation of production as well ought to be studied, not only as an independent problem but also as a possible means of promoting a closer economic union. Lastly, we have had before us an interesting proposal made by M. Francqui on the subject of long- and medium-term credits, the full text of which is annexed to the present report.