We recognise that we have only touched in a very general way on the grave and difficult problems of to-day. We do not think, however, that we are called upon to give a full account of the causes and evolution of the crisis. The Eleventh Assembly of the League of Nations expressly entrusted that task to its Economic and Financial Organisation and to the International Labour Office. Our task was thus confined to an examination of the means by which a better and closer co-operation between European countries could be achieved.

PART I. — COMMERCIAL POLICY.

CHAPTER I.

Prior to 1914, the economic policy of the various countries reflected their various situations, as these had developed through a long process of evolution.

The war, the abnormal economic position to which it gave rise and the crisis which is at present developing, have accentuated the differences between the economic tendencies of different countries. To approach the problem from a purely theoretical point of view could only lead to pronounced differences of opinion. The Committee has, therefore, ignored theoretical considerations, and proposes to consider the present situation from a strictly objective point of view.

The conclusions to which its discussions have led are set out below.

The multiplicity of Customs tariffs, resulting from the division of Europe into a large number of separate economic units, is in part responsible for a duplication of productive capacity, and an over-production of many commodities. This state of affairs is out of harmony with the growth in facilities for communication and intercourse, and with advances in industrial method which need an enlargement in the scale of production.

Obstacles to the free circulation of goods are moreover an impediment to the discharge of the interest on investments — some of them unwisely conceived from the economic point of view in post-war years — which have been made by European as well as by non-European countries. There is a certain normal relation between the movement of goods and the movement of capital. If that relation is not maintained, then, sooner or later, economic disequilibrium will result.

These conditions have hampered the natural evolution of the economic life of the most densely populated continent in the world. In spite of the obstacles to trade, the actual volume of international trade in Europe itself had by 1929 succeeded in reaching and even in passing the pre-war level. But this result at the end of fifteen years is a very modest achievement indeed compared to the rapid progress that was being made before the war, when the volume of international trade multiplied itself fourfold in forty years. Material well-being cannot make rapid progress in such conditions. The advantages of scientific achievement can only be applied in a limited degree, and a continent which so dismembers its economic life condemns itself to a very limited rate of progress.

Nevertheless, although the World Economic Conference of 1927 pointed out the disadvantages of this condition of affairs, there has been no marked improvement. That Conference did, it is true, have the effect of checking some of the tendencies towards increased protection, and it can be claimed for that and subsequent efforts of the League of Nations that the countries of Europe have paid more heed during the last few years to the possible effects on other countries of changes in their commercial policy. Although certain of the agreements drawn up at Geneva — notably the Convention for the Abolition of Prohibitions and the Commercial Convention — have not been generally applied, many countries have in practice endeavoured to act in conformity with the principles of those conventions. The conclusion of a number of commercial treaties, based on the most-favoured-nation clause, has also led to some reduction of existing tariffs. Latterly, however, the general crisis has induced several countries to introduce special measures of a protectionist character (increases of Customs duties, subsidies, compulsory utilisation of home products, etc.).

The reasons why so little has been done to permit a freer development of Europe's economic life are partly economic and partly political. We have already commented, in the introduction to this Report, on the effects of lack of confidence, and we can only repeat here that the economic development of which Europe stands so much in need is dependent upon an assurance of lasting peace; in the absence of this assurance the nations are not content to become dependent upon one another for food, raw materials, or the basic products of industry.

Nor are they ready to run the risk of a violent disturbance of their industrial or agricultural structure, and that has naturally prevented the reduction of tariffs, since the schemes previously studied at Geneva made no special provision for gradual change, having regard to the existing economic structure and to established interests.
Possibly another reason why the policy advocated by the 1927 Conference has met only with limited success is that there has not always been a clear conception of the ultimate goal. In the absence of such a conception to act as a guide as well as an encouragement, tariff reduction, whether by general agreement or by means of bilateral treaties, appeared in the light of a bargaining arrangement and not of a step towards a new and better system of international economic life.

The circumstances of our appointment compelled us to envisage the future economic organisation of Europe and to formulate proposals designed to hasten its realisation. Our terms of reference imply that our object must be primarily a European one, and indeed even if that were not so it would be natural, in framing a programme of closer economic union, to begin with the countries of Europe, since their commercial relations one with another are already very intimate and since a very high proportion of their trade consists of exchange among themselves.

The advantages of an enlarged economic unit are obvious. If full advantage is to be taken of the continual progress of industrial technique, it is essential that production should be specialised, and that larger industrial units should be created. Consequently, wider and more assured markets—the essential basis of any remunerative activity—are constantly demanded by manufacturers at every stage of production. It is only by the extension of these markets that production can be increased and the general standard of living—which is now far too low in certain parts of Europe—can be raised.

A great part of our present industrial difficulties is admittedly due to the stagnation of capital. Any advance towards a common economic policy could not fail to secure greater freedom of movement for capital, inasmuch as some countries have a surplus of financial resources, while others have a deficiency.

The result of such a rapprochement, and, indeed, one of its advantages, would be that commercial interdependence and the specialisation of production (industry and agriculture) based on the aptitudes of different countries would be much more pronounced than at present. In fact, any trade always implies some measure of interdependence, and must be founded on specialisation. This inevitable tendency would be accentuated by such a development.

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.

CHAPTER II.

The Committee is not blind to the great difficulties which stand in the way of the rapid accomplishment of any scheme of European union. It is therefore necessary to consider by what practical means any rapprochement among the countries of Europe in the economic field might be advanced.

For the validation of this object tariff negotiations are always of great importance. These, however, are not enough in themselves, and we must therefore examine with an open mind all the methods which, while respecting the legitimate interests of every nation, would allow of progress towards European union.

Regarding these rapprochements purely from the economic point of view, which is the only one compatible with our terms of reference, they should be subject to the following conditions:

(a) The groups of countries which they affect should be such as to ensure that they are in conformity with the general interest and contribute to the general progress of Europe;

(b) They must not injure the interest of other countries, but must, on the contrary, tend to encourage economic intercourse with them;

(c) They must as far as possible include the free movement of individuals, goods and capital, and indeed all forms of economic activity, so that a fair balance may be established between sacrifices and advantages;

(d) If they lead to treaties or agreements different from the ordinary commercial treaties:

(1) These must be open to accession by all countries prepared to conform to the obligations which such treaties or agreements entail;

(2) They must provide for the granting of the stipulated advantages to non-signatory countries which accord equivalent advantages, whether by treaty or by virtue of their own autonomous policy.

We do not in any way wish to modify the general basis of the most-favoured-nation clause, which must remain the essential safeguard of normal commercial relations between the nations.

If any of the agreements which we contemplate should in any way affect the rights which third parties enjoy under that clause, such agreements cannot of course come into force until an understanding has been reached with these non-contracting parties.

We think, however, that cases may arise in which European or non-European countries which are not parties to the agreements in question may, without prejudice to
their individual interests, be willing to agree to some modification of their rights in view of the benefits likely to accrue to the world in general from the growing prosperity of Europe as a whole which such agreements are designed to promote.

In this chapter the Committee has had in view all possible forms of rapprochement. In the attempt to reach an economic rapprochement it is possible that Customs unions may be contemplated. Any such unions—which must of course comply with the conditions enumerated above—would, in their initiation and by their character and their extent, be designed to enlarge markets, to increase the volume of trade and gradually to bring about general tariff disarmament.

CHAPTER III.

The establishment of closer economic relations would indeed be a backward step if it seriously affected the trade of third parties. Some diversion of trade is to be expected on the conclusion of any economic agreements, but the disturbance would be more serious if it involved any intensification of protectionist measures. It is essential, if this peril is to be avoided, that these economic agreements should initiate a movement for the reduction of tariff barriers generally.

Moreover, such agreements should as far as possible be of a permanent character. The shortness of the period for which existing commercial treaties are commonly concluded is one of the main causes of the economic uneasiness of Europe. States which enter into close relations of the kind we are envisaging would no longer need to readjust their commercial relations by frequent negotiations. This would serve to stabilise their relations with other countries, whereas to-day those relations are affected by the manifold changes brought about in the commercial relations of the countries concerned. If, in addition to this, the countries making the rapprochements were prepared, as a result of the new stability in their economic relationships, to conclude commercial treaties of long duration with other nations, this would be a real step forward for Europe.

In this new atmosphere, international labour conventions would encounter fewer difficulties and their extension would, in its turn, by the reduction of differences in standards of living, permit of further progress in international co-operation and a more rational utilisation of human energy. Certain technical work which the Economic Committee has accomplished with a view to facilitating such rapprochements, particularly in connection with unification of Customs nomenclature, will have a similar result.

Closer economic relations between nations would, moreover, offer positive advantages to other countries, including extra-European countries, and in particular to those which are producers of raw material, in consequence of the increased economic activity which would result from them.

CHAPTER IV.

If economic understandings of the kind we have been considering should at any time take the form of Customs unions, they would only achieve the desired results if they too take account of the situation of countries which are not prepared to participate. There are some countries which may not be prepared for some time to throw open their markets to the participating countries, or to reduce their tariffs to a common level; there are others which may be unwilling to do so either because of their special relations with countries outside Europe or because of the low level of their tariffs.

As regards the first class, the improvement of trading relations must be sought (a) by an extension and improvement of the present system of commercial treaties; (b) by the conclusion of general agreements for preventing the increase of trade barriers, such as the Commercial Convention of March 24th, 1930. It is possible that the wider scope of such treaties would afford greater reciprocal advantages than under the present regime, which makes it necessary to conclude separate agreements with a large number of separate States.

As regards the second group of countries, it is neither equitable nor is it in the interests of Europe as a whole that, because of their liberal commercial policy, they should be denied the possibility of forming part of and thereby enlarging the scope of the European market. Nor is it in the interest of the other continents that they should not be admitted to form part of a European unit unless they increase the protection of their own market against third parties; for, clearly, the present liberal policy of such countries may serve as a basis upon which greater freedom for international commerce throughout the world as a whole could be built. It is desirable, therefore, that any European group or nation which is willing to extend the freedom of its market by the inclusion of free-trade or low-tariff countries should be permitted to do so, subject to agreement in regard to the fiscal duties of the parties concerned.

It should be added that the beneficial effects of any action in the sense indicated in the preceding pages will necessarily be limited, unless there is a tendency towards a more liberal commercial policy on the part of other countries throughout the world.

If certain countries continue to pursue a policy of ever-increasing protection while others are moving in the opposite direction, it must inevitably lead to the disorganisation of production, increase the disparity between the levels of prices in different countries, and greatly complicate the task of those whose business it is to maintain stability in the
monetary and credit system of the world; and finally it will make it more difficult than hitherto to maintain the most-favoured-nation clause in its integrity and in its universal form between systems which accord to international trade a growing disparity of treatment.

In conclusion, the Committee strongly urges that, apart altogether from the preceding suggestions designed to initiate a movement towards closer economic understandings, the measures recommended in the Commercial Convention, with a view to preventing any further aggravation of the present situation, should be put into force.

PART II. — REPORT ON INDUSTRIAL AGREEMENTS.

In the first place, the Committee desires to call the attention of the Commission of Enquiry for European Union to the important report on the economic function of international industrial agreements, drawn up under the direction of the Economic Committee by a group of men specially qualified to deal with this problem. The report, which is about to be published, will contribute largely to enlighten public opinion on the various aspects of a problem of which too little is as yet known, and on which, consequently, judgments are not always formed with all the knowledge and impartiality that might be desired.

The Committee considers that international industrial agreements may, in certain cases and under certain conditions, play a useful rôle and that, though their scope is not unlimited, the extension of industrial agreements may result in an improvement of the organisation of production in Europe.

Industrial agreements may have the following advantages:

(a) A better adjustment of production to consumption;
(b) The stabilisation, to some degree, of sale prices;
(c) The diminution of risks;
(d) The reductions of costs, whereby new sources of consumption may be tapped;
(e) The centralisation of useful information;
(f) Greater stability in the employment of and the wages paid to labour.

There should be no artificial encouragement afforded to the creation of international industrial combines, which should be the outcome of economic conditions alone and the spontaneous initiative of manufacturers. Neither the formation nor the operation of combines should be influenced by any governmental action aimed at using them as an instrument of pressure in the field of commercial policy. Their development should be in harmony with the treaty policy of the various countries so as not to hamper the steps taken to promote international co-operation.

Generally speaking, the advantages of combines will be the more obvious and their disadvantages the less formidable in proportion as the steps taken by the States towards co-operation in the sphere of tariffs, commercial treaties and agreements, the distribution of raw materials, capital and labour prove more effective.

It should, however, be remarked that if industrial combines should go too far in raising prices — for example, by abnormally restricting output — the consequences would be dangerous for unorganised industries, for the countries which lack certain raw materials and for the combines themselves. Abuses certainly may lead to the rapid disappearance of combines, but not before they have had disastrous effects on the consuming industries.

It is the duty of individual States to take the necessary steps in their own territory to prevent such abuses.

The Committee also desires to point out that, in the general interest and in the interests of the combines themselves, wide publicity should be given to their objects and status.

The Committee further considers that any combines formed should be sufficiently adaptable to avoid permanently crystallising the existing conditions of manufacture in the various countries, and to give the economic life of various countries legitimate scope for expansion.

It is of opinion, however, that in the present world economic situation increases of output should be contemplated with the utmost caution.

Moreover, the combines should devote attention to the possible effects of the financial problem on their operation, inasmuch as both their stability and their influence on the organisation of production may frequently depend on the possession of adequate funds.

The Committee would also emphasise the fact that combines which pursue a policy of this kind may lead to a community of interests favourable to the realisation of European union.

Community of interests, whatever their origin or their form, tend to create a favourable atmosphere for commercial negotiations and to bring about that reconciliation for which the public in all countries is so eager.

In conclusion, the Committee would be glad if the League of Nations could continue its investigations and enquiries into the principal industrial problems.
PART III. — LONG AND MEDIUM-TERM CREDITS.

The financial problem has played a highly important part in the development of the world crisis. We have not, however, had the opportunity fully to study all aspects of this problem, which would in itself have occupied us for a long time. We therefore must confine ourselves to one or two very general observations.

The first is that it is of fundamental importance in the present circumstances to maintain stability between the currencies of the various nations of the world—a task which demands in special degree co-operation between the nations. We welcome the evidence of the last three months that this co-operation is being progressively realised.

Our second comment is that the turn of the tide of economic depression must be accompanied by the resumption of the flow of capital in its normal volume. One of the most striking evidences of the crisis is the fact that owing to the lack of confidence the international export of long-term capital for productive purposes has practically ceased. The result is that productive enterprises, which might in other circumstances have been launched, have not been undertaken, with a consequent diminution of the demand for industrial and other products. If the process of investment could be resumed, trade would be stimulated and the present depression lightened.

We therefore endorse the opinion expressed by the French Government in its memorandum to the Commission of Enquiry for European Union, in which it is stated that "a movement of capital from countries having credit balances to markets showing a deficit is an essential preliminary condition of European reconstruction."

The removal of the causes of distrust to which we have repeatedly drawn attention is the most important factor which will stimulate this renewed investment, and the Committee is of opinion that in present circumstances these normal channels may be effectively supplemented by various methods of international co-operation.

We noted that an International Agricultural Mortgage Credit Company would shortly be set up under the auspices of the League of Nations and on the basis of the recently signed International Convention. This would enable European agriculturists to obtain the capital they urgently need at a cheaper rate. Moreover, under the auspices of the International Institute of Agriculture, the constitution of an international institution for the organisation of agricultural credit is in preparation.

These measures may have very beneficial results in their particular sphere on commercial and industrial exchanges, but they leave untouched the general sphere of industry.

In this sphere we have taken up as being a suitable means of reviving trade the suggestion made by our colleague M. Francqui, Minister of State, to set up a new institution which would be an intermediary between the lending and borrowing markets and the machinery of which is described in M. Francqui's note attached to the present report.

The object of this institution would be to carry out all financial and banking transactions necessitating co-operation between the financial establishments of the different markets with a view to reviving trade. It would grant long and medium-term credits (excluding all loans which States desired to obtain by public issue) and in general would undertake financial transactions of any description likely to restore economic equilibrium, including transactions connected with the execution of important works.

We would add that, in order to ensure the smooth working of the machinery of credits, the Bank for International Settlements should remain in constant touch with this institution and all other existing or future international organisations having similar objects. Such co-operation, which would leave the various organisations independent, seems indispensable for the achievement of the work of general interest which these organisations propose to accomplish.

We propose that the Commission of Enquiry for European Union should ask a suitable organ to carry out a complete technical study of M. Francqui's draft, with which the Bank for International Settlements and the Committee on Credit Problems are already acquainted.

Appendix.

[Translation.]

NOTE BY M. FRANCOUI, DELEGATE OF BELGIUM, ON IMMEDIATE PRACTICAL METHODS OF ALLEVIATING THE ECONOMIC POSITION IN EUROPE.

As has been said many times here and elsewhere, Europe is in a very serious position. So serious is it that, if a remedy is not rapidly found, the worst may be feared. In spite of this, the world has not yet discovered a practical means whereby all the countries could collaborate frankly and loyally to save Europe, and incidentally the whole world, from disaster, even in spheres where their interests are obviously identical. A remedy must, however, be promptly found which will give immediate results, even though these results...
are restricted in the early stages, as the important thing is to restore confidence. Certain people at the head of the business world have come to believe that the present difficulties cannot be solved. Gradually, people are coming to resign themselves to the present difficulties without attempting to overcome them, as they are convinced that there is no hope. This is the most serious aspect of the question, since, so long as there is no spark of hope and scepticism and mistrust hold the day, no plans for remedying the position, however admirable, can succeed. All countries must jointly and without delay devise a feasible plan based on a generous conception of solidarity and co-operation. Indeed their salvation depends on this.

* * *

From our particular point of view—that is to say, that of production and trade—the present position may be summed up by saying that the world depression is due to the existence of a formidable machinery of production, the markets for which are diminishing as a result of the extreme nationalist policy pursued by many countries, who have endeavoured, by means of Customs measures, to keep the whole of their production for their own markets, and also to the elimination of certain large markets (which used to constitute the principal outlet for industrial production), owing to the fall in their purchasing power.

The remedies are obvious:

(a) Regulation of production and organisation of industry on international lines by means of combines and agreements;

(b) Increase of the large European market by means of the lowering of Customs barriers;

(c) Joint attempts to strengthen, by means of long-term credits, the purchasing power of countries which, if their purchasing power were greater, would be able to exploit their natural resources and thus stimulate trade.

This idea is strikingly expressed in the French plan. The French Government states in its memorandum that it is important to work for the fulfilment of the measures of financial co-operation without which no plan of European reconstruction can be effectively carried out. A movement of capital from countries having credit balance to markets showing a deficit is, it adds, an essential preliminary condition of such reconstruction.

As regards (a), the French plan warmly advocates “strengthening existing combines”, “extending their field of action” and “setting new ones on foot” as a real remedy for the present depression. There can be no doubt that the conclusion of loyal agreements by those concerned, with a view to the reasonable adaptation of production to demand and the equitable distribution of markets, is to be recommended in certain conditions.

But the setting up of such groups will take time, and the French suggestion can hardly be regarded as an immediately practical method of improving the position.

The question under (b)—that of the adjustment of Customs tariffs—deserves special attention.

Nevertheless, we cannot hope for tangible results for some time, however diligently those concerned apply themselves to their task. What is needed are immediate results.

I now come to (c)—that is to say, to the problem of credit as a method of reviving international trade. In our view, this is the best means of finding practical solutions calculated to yield tangible results within a relatively short time.

* * *

A few preliminary remarks should be made.

The considerable movements of exports from Europe to oversea, as well as to Near-Eastern or certain other European countries, were due in the past, to a parallel movement of capital. The loans which Europe granted to these countries were mostly for the construction of railways, harbours, roads, etc.—that is to say, for the economic equipment which those countries needed for the exploitation of their natural wealth. These loans, while bringing large orders to the industrial countries, stimulated the economic activity, thus making it possible for them to meet the service of the loans and, by increasing the wealth of the
population, led to increased purchases of manufactured articles. This is not the case to-
day. These countries can no longer contract loans owing to the lack of general confidence,
and their population can consequently no longer procure the income which it obtained in
the past—directly, through the execution of the constructional work on a large scale for
which the loans were raised, or indirectly in the shape of the general economic development
rendered possible by the loans. Long-term loans—those great stimulators of purchasing
power—and long-term credit for the consumer no longer exist.

In various countries such as the Netherlands, France, Germany, Italy and Belgium,
private initiative has set up one or more institutions the share capital of which varies between
one and two million pounds, and the object of which is to finance international commerce
by granting medium-term credits. These institutions, which are really credit banks,
though for medium-term credit, discount bills at three, four, five or even six years presented
to them by industrialists wishing to sell in foreign markets where they are asked for credits
of a similar length, or bills presented by organisations operating electricity undertakings,
railways, etc. All these credits would be granted until they could be consolidated by long-
term loans as soon as confidence is restored.

It is realised, however, that these institutions, however large their capital and however
well they are patronised, have but a limited amount of funds available for their special
purposes. They are thus restricted in their activities; and this leads to a second observa-
tion.

Let us not forget that it is the creation of issue banks which has so largely helped to
intensify trade between the various centres of one and the same country. Before the
existence of issue banks, the private banks could only assist local trade—and that within
the limits of their resources, which were by no means great, as they only had metal money.
Immediately these banks were able, when their discounting capacity was exhausted, to
apply to an issue bank for the re-discounting of their commercial bills, commercial transac-
tions were increased and extended, as the issue bank acquired, by the issue of notes, a power
of action limited only by its obligation to maintain a certain ratio between its commitments
and its reserve. The issue banks are thus the central reservoir, as it were, on which the
private discount banks can draw by way of re-discounting when they are short of assets
for their internal short-term (100-day) credit operations. Thanks to this source of help,
home trade has been intensified.

* * *

In view of these considerations, cannot we conclude that, in order to stimulate
international trade, it would be well to set up an international financial institution to support,
supplement, co-ordinate and canalise the export of medium-term capital by the establish-
ments recently set up in France, Germany, the Netherlands, Switzerland and elsewhere,
and those to be set up in the near future? Such an institution would do for the private banks,
in matters of medium-term credit and international trade, what the issue bank of a country
does for its commercial banks as regards the short-term credits needed for home trade. In
other words, just as the issue bank of a country is the centre from which the national banks
obtain, by means of the re-discounting of part of their bill holdings, the liquid assets which
they need to increase the volume of their discount business and thus of their internal
commercial operations, so the institution which I contemplate would act as a reservoir on
which, through the re-discounting of their medium-term paper, the banks specialising in
the discounting of such paper would draw, in order to extend their medium-term credit
operations and their international business.

The issue banks have, however, in virtue of their privilege of issue, a practically
unlimited reserve of notes—that is to say, sight promises—wherewith to satisfy the
applications for the re-discounting of short-term paper made by the national banks. In order
to carry out its function of a re-discounter of medium-term paper, the institution in question
would have to be able to issue more or less long-term promises—that is to say, bonds.

This is, in my view, the principle on which should be based any immediately practicable
scheme for procuring medium-term capital, which the world needs in times of depression,
and thus open up fresh markets for trade and revive those which have dried up by
strengthening their purchasing power—all this pending the possibility of placing long-
term loans on the international markets.

* * *

The practical organisation of such an institution should be made the subject of a careful
investigation, which could be completed in a very short time. Let it suffice here to say that
the difficulties which would be encountered in this connection could easily be surmounted
by financial technique. We will merely indicate the main lines on which this institution
should be founded and function.
As regards its capital, this should obviously be large, both for reasons of prestige and also because it would provide a further guarantee for the bonds issued, in addition to the holding of re-discounted bills. A sum corresponding to 100 million dollars might be earmarked for this purpose as a beginning. This capital would be subscribed in full, but only 10 to 20 per cent would be called up. The banks and industrial companies more immediately interested in the kind of operations in which the bank would engage would be asked to subscribe the capital.

When we remember how quickly and easily the capital ($100 millions) of the Bank for International Settlements, an institution designed for co-operation in the monetary sphere, was subscribed, we may hope that for this institution, which is also designed to promote co-operation and serves an urgent general interest, it will be equally easy to procure the necessary capital.

The object of this bank would be to re-discount the medium-term paper of the institutions already set up or which would certainly be set up for the granting of medium-term credits necessitated by transactions with a definitely productive aim (railways, works of public utility, etc.). It would act in some sort as a banker for the banks supplying medium-term credits. Its work in this field would of course only be temporary. Once confidence was sufficiently restored, or the position of the financial markets allowed of the issue of long-term loans, certain credits accorded by the institution could be consolidated by means of such loans.

For this purpose the new institution would issue bonds to an amount not exceeding three to five times the amount of the capital subscribed.

It would be desirable if these bonds could be converted into really international securities and could circulate freely and easily between the great financial markets, and if the Governments would undertake not to place any fiscal or other obstacle in their way.

Lastly, close and constant relations should be established, in their mutual interest, between the new organisation and the banks of issue, or rather, the Bank for International Settlements, which is simply an emanation of the banks of issue and a connecting link between them. The principal task of the Bank of International Settlements is to maintain the stability of the currencies of the different countries. It will readily be understood, without our going into details here, that the credit operations of the new organisation may at certain moments involve, for example for the debtor countries, an exodus of capital on a large scale (refund of credits granted), which might imperil the currencies of these countries, thus singularly complicating the work of the banks of issue in the first place, and in the second place, that which the Bank of International Settlements is endeavouring so perseveringly to carry through. On its side, the Bank of International Settlements, at which the Governors of the banks of issue meet every month and which thus constitutes an ideal information centre on the standing of the different countries, will be in a position to inform the new institution on the advisability of agreeing to certain operations proposed to it, the solvency of buyers, etc. In short, there should be close relations between the two institutions, which would involve no responsibility on either side, but which are indispensable in the best interests of the important task they would be performing.

Such an organisation — and this is a point I would strongly emphasise — could be set on foot in a relatively short space of time. For this purpose, it will be necessary for the Governments, in that spirit of co-operation and collaboration which the French Government so strongly recommends in the plan submitted by it to the Commission of Enquiry for European Union, to understand its importance and refrain from hindering its creation.

The very nature of the institution’s operations would be such as to allay all apprehensions as to its risks. Its re-discount holdings would only include bills with a sound backing. In most cases, the bills delivered to it would carry three signatures: that of the principal debtor, that of the direct creditor and that of the institution having discounted the bill and presenting it for re-discount to the new re-discount organisation. The latter would therefore be able to take action against all these signatories in case of losses.

To sum up: an organisation of the kind whose creation and operation we have briefly sketched above, might constitute a practical and rapid means for reviving trade immediately.

We must repeat that, so long as the lack of confidence continues, due as it is to different reasons of a political nature which have aggravated the present economic depression, any movement of capital from countries possessing credit balances towards markets with a debit can have no influence on the economic recovery of these markets.

It must also be thoroughly realised that, whatever political measures the Governments may shortly be obliged to take to restore this confidence, the latter will only return very slowly. Meanwhile, means must be found of enabling debtor countries to recover from the crisis and even to exist. We consider that the Bank, the principles of which we have just outlined, constitutes one of these means. In any case it must not be forgotten that, if nothing is done to assist these countries, their situation will rapidly grow worse and they will be threatened with complete collapse.
A year ago the Financial Committee made a special report on the stage which it had then reached in its work, on the ground that the work of financial reconstruction was so nearly completed that the kind of service which the League could render to its Members in the financial field was changing in scope and character.

The vast majority of countries with complex economic structures had reformed their finances and connected their currencies with gold. The Committee thought that the special and temporary category of work, involving financial reconstruction with the aid of loans issued under the auspices of the League, was nearing its end, and that some definition was required of the other more normal duties of the Committee as the financial advisers of the League within the framework of the Covenant. The Committee accordingly submitted a report concerning its work and functions, which was approved by the Council and by the Assembly on September 24th and September 29th, 1930, respectively.

The Financial Committee undoubtedly took a correct view of the probable course of events on the basis of data then available. It is true that the rapid fall of world prices, the contraction of trade and production — in a word, the first stages of the general economic depression — had severely affected the economy of a number of countries; but there was at that time no reason to anticipate that the difficulties would not be righted through the normal process of economic and monetary reactions.

In May 1931, however, when the Commission of Enquiry for European Union met, a much more acute stage of the depression had been reached; the fall in world prices had proceeded yet further and faster. It had begun to be evident that special measures of international financial co-operation would be necessary.

The French Government submitted a memorandum in which credit problems, inter alia, were dealt with, and suggested that certain special measures might be organised or examined through the instrumentality of the League, and emphasised particularly the importance of systematic intervention by the Financial Committee at any time when the urgent need for capital was revealed throughout the world.

It was in these circumstances that the Commission of Enquiry for European Union recommended, and that the Council decided, to set up a Committee of Government representatives to consider, in conjunction with a delegation of the Financial Committee, "what practical steps could be taken to facilitate the use of State 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". It had become clear that, quite apart from the special responsibility of the League in the case of certain countries whose finances had been reconstructed on the basis of the advice given by the Financial Committee, the special and temporary category of reconstruction work on which the Committee had been mainly engaged was by no means terminated.

Since May 1931, however, further changes of the gravest character have occurred, and have illustrated in the most acute fashion the danger of many countries "borrowing short and lending long". Various events which are described at length in the Interim Report on the Economic Depression had led, in 1929, to the drying up to a very considerable extent of the stream of international long-term lending. But the requirements of the world for credit did not fall in proportion; and, in actual fact, short-term borrowing was resorted to in order to meet a great part of those requirements, notwithstanding the fact that the requirements were, largely at least, of a permanent character and that the funds borrowed on short-term have undoubtedly been used, not only for working capital which has tended

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1 The Committee was composed as follows:

**Government Representations.**
- Dr. Bachmann (Switzerland).
- M. Escallier (France).
- M. Camille Gutt (Belgium).
- Sir Frederick Leith-Ross (Great-Britain).
- M. Wallenberg (Sweden).

**Members of the Financial Committee.**
- Count de ChaleNDAR.
- Mr. Norman H. Davis.
- M. Paul Kempner.
- M. C. E. Ter Meulen.
- Dr. Vilém Pospšíl.
- Sir Henry Strakosch.
- M. Fulvio Suvich.

Governments and central banks.

the problems of the moment are so acute as to occupy almost the whole attention of the Committee. This is what has, in fact, happened, and any shock to confidence was naturally sufficient to upset equilibrium and start a process which was capable cumulatively and rapidly of reaching the most alarming dimensions. The situation so created may seem idle to recommend measures which will be neither immediate in their effect nor dominant in their efficacy.

The factor which, more than any other, is upsetting the normal course of long-term lending transactions is the shaking of confidence which has resulted from the fall in prices and the consequent economic and social disequilibrium and from political causes. Capital exists, but it will not become fully available until confidence is gradually restored.

It is not for us to suggest what political measures might be taken in this connection by individual Governments or by means of inter-Governmental action, nor is it for us to define the economic or monetary measures whereby the existing disequilibrium might be corrected; but only by a visible improvement in political and economic conditions will it be possible to re-establish, along with the revival of confidence, the normal current of investments, which, in its turn, will be a most beneficial factor in restoring prosperity.


It was in the light of the foregoing observations that the Committee embarked upon its examination of the problems entrusted to it.

**

In the French memorandum referred to above, it is suggested that the Financial Committee of the League should be empowered to receive requests from borrowing States when the transactions envisaged — whether they refer to loans for currency purposes or for the financing of large programmes of public works — are such as must, in view of their size, be effected by co-operation between the banks of different countries.

In the report submitted by the Financial Committee in September 1930, and approved by the Council and the Assembly of the League, it was suggested that the League should associate itself with the issue of a loan under its auspices for purposes of economic development only when, owing to special circumstances, “the project promises certain valuable international advantages”. Owing to the changes which have taken place in the general economic conditions since that date, we feel that the problem of international loans can no longer be considered by the League solely with regard to their effects on individual borrowing States, but should be viewed rather in connection with the general problem of international credit, and that any action likely to promote a flow of capital to-day would promise “valuable international advantages”. We consider, therefore, that the proposal put forward by the French Government in May last constitutes rather a development of than a departure from the policy approved by the last Assembly. We are of the opinion, indeed, that international loans intended to be devoted to purposes of a sound economic character are an important factor to a revival of general economic activity.

We endorse, therefore, 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.

On the other hand, we do not consider that it is its function to take part with bankers in the “formation of lending groups”.

The services which the Financial Committee can offer in connection with the flotation of international loans are, and have been, of a different character. To the borrowers it can offer the advantage of an impartial public and considered statement of the financial position of a country, of the value of the securities it can offer, and possibly of the wisdom of the object for which the loan is contemplated. It can suggest, should occasion arise, such measures as would strengthen the credit of the country. The country taking advantage of the services offered, of the collective advice, the public statement and the authority of the League of Nations, might be enabled to borrow more readily than it could were those services not sought.

Finally, as the Financial Committee has already proposed in its report of September last, it might, if the two parties to the ultimate contract desired, act as arbitrator in connection with the loan actually floated.
To the lenders, the Financial Committee would offer the same advantages of an impartial and considered judgment, of being able to exercise its influence in the direction of desirable financial and other measures and of ultimately acting as arbitrator.

We attach particular importance to the part which the Financial Committee might play as arbitrator in the case of disputes between Governments and bondholders. It has already expressed its willingness to do so, not only in the case of loans issued directly under the auspices of the League, but in other cases, “if the contracts be submitted at the time of negotiation to the League of Nations for approval”. In such circumstances, it would only be necessary for the League to consider whether the loan was, in its general character, such as it could be associated with, and whether the actual arbitration clause was satisfactory. It would not be necessary to examine the conditions and details of the loan. We think it useful to draw once again the attention of bankers to this proposal, which was made now almost a year ago.

In cases in which the Financial Committee assumes the function of arbitrator, it would obviously be inappropriate for it or its members to act at the same time as trustees of the loan.

In the case of the loans for financial reconstruction, the League has confined itself, except in the case of Austria and Hungary, to demanding a specific control for a defined period of time, or until certain conditions have been fulfilled. Once that control is terminated and the postulated reforms have been executed, its responsibility ceased. Subsequently, responsibility lies with the trustees, who are empowered to demand such information as they may deem necessary in certain cases concerning the budgetary situation and in all cases concerning the yield of the assigned revenues. Since the last of the reconstruction loans under the auspices of the League was floated, the Bank for International Settlements has been founded, and is in our opinion particularly well suited to act as trustee for international loans. The Bank for International Settlements has already accepted the responsibility of acting as trustee for certain recent international loans, and we consider that it would be desirable if this procedure were to be developed.

We are familiar with the considerations which have determined the League in its decision to define and carefully to limit both in scope and in time its responsibilities in connection with loans issued under its auspices, and we are convinced of the wisdom of the procedure which has been adopted. At the same time, we are inclined to the view that it might prove advisable in the future for the Financial Organisation of the League to maintain contact with the Governments of States which have had recourse to it for assistance for a somewhat longer period of time. It would, in our opinion, be to the advantage of all—borrowers and lenders alike—if such contact were established and maintained as to enable such Governments to obtain the advice of the Financial Committee by some perfectly natural and automatic procedure, and as to enable the Financial Organisation of the League to keep the public informed of the financial situation of these States. The relations to be maintained should be easy and automatic. We consider that these contacts can best be maintained by the regular preparation of statements of the public finances of countries which have issued loans under the auspices of the League. The statements might be incorporated in the Memorandum on Public Finance now issued by the Financial Organisation of the League. A working arrangement should be reached between the Treasuries of countries which have issued loans under the auspices of the League, by which they agree to send a Treasury representative to discuss the statements prepared with the Financial Organisation of the League.

The suggestions which have been put forward above raise, as has already been indicated, the question of the method by which the work to be undertaken in connection with the type of loan contemplated in the French memorandum might best be executed. The Financial Committee, which is the advisory body to the Council in such questions, possesses a quite special authority and an experience in these matters, and there is, in our opinion, no reason for contemplating the creation of any new organism. The Financial Committee has, in the past, adopted the system of appointing ad hoc delegations for one question or another with which it has been dealing, consisting of certain of its own members and of certain other persons with a special competence in the matter under consideration. We suggest 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 we also consider that assistance of Treasury officials would prove useful.

* * *

In the French memorandum it is also proposed that the competent Committee of the League of Nations might undertake to study under what conditions the possibilities of the free international circulation of bonds could be established or improved. We consider that bonds with such free international circulation would present certain very real advantages, amongst which may be mentioned that they would facilitate the issuing of a loan simultaneously on different markets, and that, by constituting a new international value, they might lessen the international movements of gold. But the experience of recent years has shown that, in practice, this procedure will only be acceptable when there exist several markets where the bonds are freely absorbed by genuine investors. If this situation can be achieved, there will, it is true, remain the possibility that one of
the markets may be flooded by the sale of bonds immediately after issue by speculative subscribers who have bought bonds in other markets. This danger could, however, be diminished if, in the first instance, provisional certificates were issued which were good delivery only on the market of issue, and if these certificates were only exchangeable for definitive bonds after an interval of six or twelve months. We attach importance to this suggestion.

The French memorandum also points out (see document C.402, page 7, line 9) that any noticeable improvement in international relations must in any case manifest itself on all markets by a resumption of normal transactions which are at present rendered difficult by the political atmosphere. This development would relate particularly to the following transactions:

1. More free admission to the market in various national centres of first-class securities, which are at present too often quoted in their market of origin alone; such quotation would permit companies concerned to become better known abroad and thus to obtain capital more readily.

2. A more active participation of the various national financial institutions in investments abroad, either of their reserve funds or of the interest on bonds issued by specialised organisations.

3. Constantly extending facilities for placing on the loan markets of reliable foreign issues by means of appeals to the public, whether loans of public bodies, companies holding concessions or private companies.

We strongly endorse these views, and are of the opinion that the measures contemplated should be pressed forward as rapidly as possible by the competent authorities.

The Commission of Enquiry for European Union has drawn our attention to the value of the enquiries undertaken by the International Labour Office with a view to relieving unemployment by means of important public works.

We have also taken note of the resolution adopted by the Unemployment Committee, which has requested us "to investigate at once the means of securing the permanent international co-operation required for the execution of any works recognised as furthering the economic development of Europe and to promote for this purpose a policy of long-term credits which may inspire the confidence indispensable to lenders and secure favourable conditions to borrowers." Several Governments have supplied in this connection general information on the public works for which they consider international financial co-operation desirable.

We have not felt ourselves in a position to express an opinion on the technical or economic value of these public works from a European point of view. Moreover, we desire to insist on the financial problems which their execution would involve and on the necessity of only taking into consideration schemes which are of immediate economic utility, and which would not impose upon Governments budgetary charges exceeding their capacities or such exchange transfers as might endanger the stability of their currencies.

We recognise, however, that it would be desirable that authoritative advice should be obtainable when necessary on the question of public works useful from a European point of view and for the execution of which European Governments might ask the League to assist them in obtaining the necessary financial means.

We have noted that the Communications and Transit Organisation of the League has created a Committee of Enquiry on general questions relating to public works and national technical equipment. We therefore propose to the Council to request that body, to which should be added for this purpose representatives of the International Labour Office and, when necessary, of competent organs of the League, to examine the concrete proposals which the Governments might submit to the League. Such examination should bear specially on the following points:

(a) The economic necessity of the public works in question and the co-ordination with other schemes both from a national and a European point of view;

(b) Their chances of profits and productivity at an early date.

The findings of the Committee of Enquiry would have to be submitted in all cases to the Financial Committee of the League for consideration of the appropriate action to be taken on them.

Finally, we have been informed that the Committee of Economic Experts had before them a scheme for the creation of a financial institution for the purpose of granting intermediate and long-term credits by the issue of its own securities. We have not examined this scheme, which raises a number of complex and important questions, the examination of which by us seemed to be premature in the present circumstances.
REPORT OF THE COMMITTEE TO STUDY THE PROBLEM OF THE EXPORT OF FUTURE HARVEST SURPLUSES OF CEREALS.¹

(Second Session — June 25th to 27th, 1931.)

The Committee appointed to study the problem of the export of future harvest surpluses of cereals, convened by the Commission of Enquiry for European Union, met at Geneva on June 25th, 26th and 27th. It was attended by several delegations — those of Hungary, Poland, Roumania, Turkey and the Union of Soviet Socialist Republics — which were not present at its first session (February 26th to 28th).

I. The Committee began by examining the conclusions to be drawn from the London Conference (May 18th to 23rd), at which the wheat-exporting countries of Europe and overseas endeavoured to organise their sales on the world market on concerted lines. At its first session, the Committee had decided that such organisation was highly desirable and calculated to remedy the dislocation of prices and conditions of sale.

The Committee regrets that it was not found possible to establish a broad international agreement on a worldwide scale, and trusts that efforts to arrive at an understanding will not be abandoned, but will be actively prosecuted.

II. While not neglecting the worldwide aspect of the problem, the Committee considered the best means of improving the situation from a standpoint limited to Europe. In accordance with its terms of reference, it examined the question of a system of agricultural preference, which the Commission of Enquiry agreed would afford valuable assistance to the peoples of Central and Eastern Europe, who are suffering heavily from the depression.

Much information was exchanged on this subject. It was found that the general discussions on preference had been followed by definite action on practical lines. Certain endeavours have already led to the conclusion of specific conventions, while others are in preparation and under negotiation. The Committee carefully reviewed these patient efforts. The agreements concluded or prepared were considered in the most liberal spirit of co-operation and solidarity. The experiments made, which have varied according to the possibilities in each case, were bilateral in character but have been thrown into the common stock. All concerned have been or will be informed of them, in order that everyone may profit.

The methods employed to put into effect a preferential tariff system differ slightly one from another (reduction of Customs duty or refund of a portion of that duty). All of them, however, must have in common certain features which it is desirable to specify.

In order that the preference may be in no way disguised, these proceedings should lead to public agreements which will be registered at the Secretariat of the League of Nations.

¹ The Committee was composed as follows:

President: His Excellency M. François-Poncet (France).

Austria: M. Schüller.
Belgium: M. Suetens.
Czechoslovakia: His Excellency M. Fierlinger.
Estonia: M. Auguste Schmidt.
France: M. Jules Gautier.
Germany: M. Possin.
Great Britain: Major Henry Heywood.
Hungary: His Excellency M. de Nickl.
Italy: His Excellency M. de Michelis.
Norway: M. P. H. Birkeland.
Poland: M. Adam Rosi.
Roumania: M. Cesar Pupesco.
Switzerland: M. Stocki.
Turkey: His Excellency Hasan Bey.
Union of Soviet Socialist Republics: M. Abram Kissin.
Yugoslavia: M. Todorovitch.
They presuppose the approval of third parties. If they involve equivalent concessions, the latter will not be of a preferential nature, but will be open to all who can invoke the most-favoured-nation clause. The preference will be expressed either as a percentage reduction in Customs duty or as a standard reduction; it will apply to specified quantities. Further, it will represent a temporary and limited exception.

In this connection, the Cereals Disposal Committee would refer to the essential principles laid down during the Conference with a View to Concerted Economic Action at Geneva in November 1930, by a Sub-Committee appointed to study the question of negotiations regarding the regime of trade between the agricultural countries of Eastern Europe and the Western-European countries—principles which were confirmed or amplified at the subsequent meetings at Paris, Rome and Geneva.

The Committee is of opinion that, with a view to the prosecution of the operations now in progress and the satisfactory application of the preferential regime, and also to avoid jeopardising the success of the present undertaking, these rules must not be neglected, but must be adhered to in every case.

They form the framework within which, in the Committee's view, the preferential regime—whatever form it may take—must be placed in order to raise the fewest possible objections and secure the widest acceptance. The Committee considers that the preferential regime, reduced to these rules and these methods which would limit the scope of the exception it represents, is compatible with the spirit of international co-operation.

III.

The work of the Cereals Disposal Committee was greatly facilitated by an enquiry carried out, from the standpoint of the countries interested in the export of grain, by the Permanent Committee for Economic Enquiry of the States of Central and Eastern Europe at a session held at Geneva on June 23rd and 24th. This latter Committee defined its views as follows:

(1) The grain exporting countries of Central and Eastern Europe ask for preference for wheat, rye, barley, oats, maize, malt and flour.

(2) They are of opinion that the preferential system will only secure results entirely satisfactory to themselves in so far as it is applied by all the grain-importing countries of Europe. For reasons of expediency, however, they are, at the present time, demanding this regime only from those countries which usually import cereals from them.

(3) Preference is only to be granted for limited quantities, but it is of capital importance to the grain-exporting countries in question that any surpluses they may have should enjoy preference. Only if this is granted, will those countries achieve the object of the preferential regime—that is to say, the raising of the price of cereals in the exporting countries above the world level. For these reasons, the quotas enjoying preference should be so fixed that their total may correspond to the total export surpluses in those countries.

(4) While leaving the choice of the form to be taken by the preference to be decided by bilateral negotiations, the grain-exporting countries in question consider that a reduction of import duties would be the form best calculated to serve their interests.

IV.

As regards those agreements in preparation which do not relate to Customs duties, but are designed to set up a special system by bilateral conventions with the object of securing better prices for agricultural produce by credit or other facilities, the Cereals Disposal Committee is of opinion that the application of these agreements raises extremely difficult problems, and no final conclusions can be reached on the subject.

Being anxious, however, to avoid giving the impression that certain solutions might seem calculated to weaken the most-favoured-nation clause, the Committee wishes to receive fuller particulars of their exact tenor so that it may be better able to judge.

V.

The Cereals Disposal Committee was called upon to examine what part it might be desirable for it to play subsequently.

The experience of its present session has made it realise that it is of capital importance for the maintenance of order in international economic relations for the preferential regime granted by certain countries to others to be examined by a neutral organ giving every guarantee of impartiality, to see whether it corresponds to the principles set forth above. It therefore recommends that all arrangements of this nature should be communicated by the Secretariat of the League of Nations to the Cereals Disposal Committee.

VI.

The Committee considered other solutions for improving the disposal of cereals.

It is convinced that a better organisation of the financing of the production and disposal of cereals would be likely to mitigate appreciably the effects of the agricultural crisis on the exporting countries of Central and Eastern Europe.
It views with great satisfaction the progress accomplished since its last meeting in the organisation of the International Agricultural Mortgage Credit Company, which will probably be ready to begin work next autumn.

It is happy to learn from the declarations made by the representatives of the International Institute of Agriculture, that the investigations undertaken by the latter conjointly with the Financial Organisation of the League of Nations for the international organisation of agricultural short-term credits have been continued. It hopes that they will rapidly lead to international action for the permanent improvement of the conditions of warehousing and disposal of surplus stocks of cereals. As, however, it is certain that no solution will be arrived at before the 1931 harvest, the Committee has requested the International Institute of Agriculture to investigate the possibilities of setting up a provisional organisation to enable agricultural countries to finance their next harvest.

VII.

The Committee has noted the efforts made to improve the conditions of the international transport of cereals, directed, on the one hand, towards a reduction of rates for the carriage of cereals over certain important routes and, on the other, towards the introduction of a negotiable waybill for international transports, which would give greater facilities for credit and for the disposal of cereals in the course of despatch.

The Committee took note of the work done in this sphere by the Communications and Transit Organisation of the League of Nations. It hopes that the coming revision of the International Convention on Traffic of Goods by Rail will afford an opportunity for taking account of the legitimate interests of the international trade in cereals.

VIII.

The Committee considers that whatever solutions may be adopted with a view to an improvement in the disposal of cereals, such solutions, if they entail a preference, must be subject to the rules set forth in the preceding paragraphs.

IX.

Finally, the Committee is of opinion that a very definite advance has been made in the direction of practical measures in the course of the last few months. It regards this as a happy augury of the success of the undertaking which it has at heart and it has no doubt that the continuation of persevering efforts will shortly bring about a real improvement in the agricultural countries of Central and Eastern Europe, thus contributing to alleviate the distress from which the whole of the European economic structure is suffering.

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[CEU.E.43.]

ANNEX 5.

REPORT OF THE UNEMPLOYMENT COMMITTEE.

(Geneva, July 1st and 2nd, 1931.)

The Unemployment Committee, which was appointed by the Commission of Enquiry for European Union, met on July 1st and 2nd, 1931, at the International Labour Office, Geneva. The following delegates were present:

1. Delegates appointed by the European Commission:

   Germany: Dr. Oscar Weigert (assisted by Mme. Margarete Ehlerf).
   Austria: M. Karl Forchheimer.
   Denmark: M. Kristian Eriksen.
   Great Britain: Mr. James Alan Barlow.
   Czechoslovakia: M. Zdenek Fierlinger (assisted by Dr. Eugène Stern).
   Yugoslavia: M. Douchan Yeremitch.

2. Delegates appointed by the Governing Body of the International Labour Office:

   Government Group:
   M. G. de Michelis (Italy).
   M. Jean Rosner (Poland), substitute for M. F. Sokal.
Employers' Group:
M. Gino OLIVETTI (Italy).
M. Hans Vogel (Germany).

Workers' Group:
M. L. JOUHAUX (France).
M. Ch. SCHÜRCH (Switzerland).

3. M. Ch. PICQUENARD (France), who had been invited as the result of a decision of the Governing Body of the International Labour Office to place before the Committee the point of view of France as a country of immigration.

The Committee elected M. DE MICHELIS as Chairman. It held two plenary sittings on July 1st, and set up three Sub-Committees to deal respectively with the following points:

I. Placing Work.
II. Public Works.
III. Co-operation of the factors of production.

At a plenary sitting held on July 2nd, the Committee adopted, in the following form, the draft resolutions presented by the Sub-Committees:

I. PLACING WORK.

"The Unemployment Committee:

"In view of the necessity of favouring an international migration of workers which might balance in Europe as exactly and rapidly as possible the supply of, and demand for, labour, in so far as this cannot be done within the countries concerned;

"Recommends the development of the policy of bilateral agreements already adopted by several European countries for organising the migration of workers, and in particular for recruiting workers in one country for employment in another and also for ensuring to the workers thus recruited equality of treatment with nationals, together with suitable employment and living conditions;

"And requests the Commission of Enquiry for European Union to submit to the Council of the League of Nations the following proposals:

1. That a technical placing Conference should be convened by the International Labour Office in the near future;

2. That Governments should be asked to send experts on placing as delegates to this Conference. The Governing Body of the International Labour Office should also be invited to send to the Conference as delegates representatives of the Employers' Group and of the Workers' Group of the Governing Body;

3. That, as the object of the Conference will be to investigate the means of co-ordinating the national placing services on a European scale, its agenda should be as follows:

   (a) The organisation of a permanent exchange of information on the state of the labour market and the creation of the necessary international bodies;
   (b) The means of facilitating bilateral relations between the various national placing systems for the actual transference of labour from one country to another;
   (c) A comparison of the methods of placing in force in the various countries.

4. That a temporary secretariat (composed of a member of section, a clerk and a shorthand-typist) should be set up at the International Labour Office to prepare for the Conference."

II. PUBLIC WORKS.

"The Unemployment Committee:

"Has taken note of the schemes for public works communicated to the International Labour Office by several Governments.

"It observes that these schemes, taken as a whole, are capable of providing employment for a large number of workers, not only in the actual execution of the works, but also by securing orders for numerous industries.

"It thinks that the execution of such schemes would offer a valuable channel for the use of capital now lying idle, and so contribute to a diminution of unemployment and to a general business recovery.

"The Committee considers that a policy of co-operation in public works would contribute to the harmonious development of the economic resources of Europe, and would take continuous account of the situation in the labour market, with a view to making employment more stable."
“It therefore requests the Credit Problems Committee to investigate at once the means of securing the permanent international co-operation required for the execution of any works recognised as furthering the economic development of Europe and to promote for this purpose a policy of long-term credits which may inspire the confidence indispensable to lenders and secure favourable conditions to borrowers.”

III. Co-operation of the Factors of Production.

“The Unemployment Committee was also instructed to study the proposal made by the International Institute of Agriculture for a better use of all the elements of production.

“It considers that the economic equilibrium of Europe would be better re-established if the surplus population which it cannot make use of could be employed for the exploitation of territories which are in a position to absorb it to good purpose. This would give free play and lend vitality to the forces which make for the economic development of the world.

“But the problem of the transfer of the surplus active population is closely related to the search for territories which are suitable for the rational settlement of groups of human beings, economically equipped for the purpose, for land development, the exploitation of the soil, the development of commerce and industry arising therefrom, and also for increasing the purchasing power of the native populations and the constitution of fresh markets for the production, not only of Europe, but of the whole world.

“Such a programme, which must depend upon international co-operation, requires the support of capital and of credits. This involves the adoption of the international policy of credits which has been proposed for other forms of economic development.

“The Committee has given its general approval to the programme referred to in the first paragraph above. Since a more exhaustive enquiry with a view to putting this programme into operation must necessarily extend beyond Europe, it suggests that the Commission of Enquiry for European Union should propose to the Council of the League of Nations that the matter be referred for study to its competent bodies, with a view to the adoption of practical steps. For these studies it would be desirable to invite the help of the International Labour Office and the International Institute of Agriculture.”

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[C.E.U.E.46.]

ANNEX 6.

ESTABLISHMENT OF AN INTERNATIONAL ORGANISATION FOR SHORT-TERM AGRICULTURAL CREDIT.

In the report which it adopted on May 21st, 1931, the Commission of Enquiry for European Union stated that it had “considered with interest the communication from the International Institute of Agriculture regarding the establishment of an international organisation for short-term agricultural credit”. It expressed the desire “to be kept informed of the progress of future work on this question”.

The Secretary-General has the honour to communicate to the members of the Commission of Enquiry for European Union a letter and memorandum relating to this question which he has received from the President of the International Institute of Agriculture.

I. LETTER FROM THE PRESIDENT OF THE INTERNATIONAL INSTITUTE OF AGRICULTURE.

Rome, August 18th, 1931.

In my letter of July 29th, N.03696, I had the honour to inform you that a meeting convened by the International Institute of Agriculture would be held on August 12th for the purpose of studying the establishment of an international organisation for short-term agricultural credit. The meeting had to examine the schemes prepared by the Institute, in order that it might be in a position to submit concrete results at the next session of the Commission of Enquiry for European Union to be held in Geneva during the present month.

Naturally, I also invited you to send a representative from the Secretariat.

I now have the honour to inform you that this meeting took place on August 12th and 13th, and was attended by the official representatives of eighteen States. Two other States sent
observers. In compliance with our request, the Secretariat of the League of Nations appointed M. Charles Henri BOISSARD, member of the Financial Section, to attend this meeting, and I desire here to express my deep personal appreciation, as well as that of the Institute, of this proof of your interest and practical co-operation.

The International Labour Office was also represented.

The result of the most interesting discussions which took place during the two days in question will be found in the Protocol of the meeting, and in the drafts of the Statutes, International Convention, and Constituent Act, of which I have the honour to enclose copies, corrected in accordance with the results of the discussions of the last meeting of the session. I would add that the draft Statutes, Convention and Constituent Act were prepared by the staff of the Institute submitted, as a preliminary measure, to a meeting of special experts, thoroughly familiar with the requirements of agriculture and the working of agricultural associations and co-operatives in the matter of short-term credit. This meeting took place at the Institute on July 27th and 28th.

From a perusal of these documents, a summary of which I enclose, you will see clearly, since they speak for themselves, to what extent the Institute has succeeded in carrying out the desires expressed in this connection by the Commission of Enquiry for European Union and also by the International Wheat Conference held at Rome in March last at the instance of the Institute.

The solution of one part of this question of agricultural credit, which our organisation has studied and investigated for many years, is thus to be found in short-term credit, just as the solution of another part of the question has been found, owing to the efforts of the League of Nations, in long- and medium-term credit.

I should be particularly grateful if you would be good enough to communicate the above information to the Commission of Enquiry for European Union and draw special attention to the fact that the Institute, desirous of bringing its work to as practical and as speedy a conclusion as possible, will convene in November a general meeting of official representatives of the Governments concerned and of representatives appointed by the banks and credit institutions. The object of this meeting will be to give final approval to and to sign the draft Convention and Statutes, as well as the Constituent Act, prepared at the meeting which has just taken place.

As you will see, the Institute and the members of that meeting were particularly desirous of indicating how much importance they attach to effective co-operation with the League of Nations, and have consequently provided that one of the members of the Governing Body of the proposed bank shall be appointed by the Council of the League.

In bringing the above information to your notice and communicating the enclosed documents we desire to give expression to our determination to do our best, in co-operation with the Geneva organisations, to give effect to the wish expressed at a number of international meetings, in particular by the Commission of Enquiry for European Union, that agriculture should be assisted in every way possible.

I need not say that the Institute trusts it can count, in the future as in the past, on the friendly co-operation of the League of Nations in the work already started.

(Signed) DE MICHELIS,
President.

2. MEMORANDUM RELATING TO THE INTERNATIONAL AGRICULTURAL CREDIT BANK.

One of the questions which raised most interest at the Preparatory Conference of the Second World Wheat Conference was that of agricultural credit. Distinguished representatives of the delegations of various countries belonging to both eastern and western Europe urged the need, in the existing circumstances, for making provision—side by side with the medium- and long-term credit to be provided by the new institution established under the auspices of the League of Nations—for short-term credit, which, in view of the cereal crisis, would appear to have an important, specific function to perform in re-establishing the economic and commercial equilibrium of agricultural undertakings and facilitating their operations.

The resolution on agricultural credit adopted by the Conference concluded by requesting the International Institute of Agriculture to continue its studies relating to agricultural credit, and to help to organise short-term agricultural credit.

Consequently, the Institute has lost no time in taking steps towards establishing an international organisation for short-term agricultural credit, which would be started under its auspices and would complement the work of the "International Agricultural Mortgage Credit Bank" just established at Geneva under the auspices of the League of Nations.

In May 1931, the International Institute of Agriculture, bearing in mind the wishes which had been expressed, informed the Commission of Enquiry for European Union of the steps taken towards the creation of an international banking organisation for the purpose of granting

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1 The Protocol of the Rome meeting of August 12th and 13th, 1931, and the draft Statutes, International Convention and Constituent Act have been sent direct by the International Institute of Agriculture to the Governments represented on the Commission of Enquiry for European Union.
short-term agricultural credit. The Sub-Committee of the Commission of Enquiry for European Union considered this proposal with interest, and expressed the desire to be kept informed of the progress of future work on this question. It also expressed the opinion that that work would be facilitated by the co-operation of the financial and economic organisations of the League of Nations.

The International Institute of Agriculture further considered it necessary to convene a technical advisory committee at Rome on July 27th and 28th, to which it submitted the preliminary draft statutes of the new bank. The discussions enabled the International Institute of Agriculture to make certain modifications, and the draft statutes as modified were submitted for examination to a meeting of representatives of Governments and banks which took place on August 12th and 13th at the offices of the International Institute of Agriculture.

The following countries sent representatives to the meeting held at Rome on August 12th and 13th: Belgium, Bulgaria, Denmark, Spain, France, Greece, Hungary, Italy, Latvia, Poland, Portugal, Roumania, Sweden, Switzerland, Czechoslovakia, Turkey, the Union of Soviet Socialist Republics and Yugoslavia. Germany and the Netherlands sent observers. The Secretariat of the League of Nations and the International Labour Office were also represented by observers.

The representatives of the Governments and credit institutions present at the meeting examined the Draft Constituent Act, Convention and Statutes for the International Agricultural Credit Bank prepared by the International Institute of Agriculture. They made certain modifications which they considered necessary, and, in the Protocol signed at the end of the meeting, they approved the steps which the International Institute of Agriculture had taken in regard to short-term agricultural credit.

In view of its main function as a short-term credit institution, the International Agricultural Credit Bank is conceived as an institution whose sole object would be to discount bills presented by national credit institutions. These bills would be based on loans to agriculturists or their organisations providing all the guarantees required by the Bank in conformity with the laws and customs of each country. The bills should bear the signature of the principal borrower and of the national credit institution approved by the Bank; the signature of regional or local institutions being further required when the loans were granted through them.

As the credits would be strictly short-term credits, their normal duration would be from three to nine months, but the period might be prolonged up to a maximum of twelve months by the Executive Committee of the Bank.

The Bank should be established by an agreement between the credit institutions of the countries concerned in its establishment, who would undertake to subscribe the shares. The Governments of these countries should undertake, in a convention, to give the new Bank all possible legal and fiscal facilities.

The Bank will be organised as a joint-stock company with an initial capital fixed at 15 million Swiss gold francs, divided into shares of 1,000 francs.

The shares will be registered stock and will be issued in all countries which authorise subscription. They will be reserved for the credit institutions of these countries and international credit institutions.

The Bank will obtain the necessary funds for its transactions:

(a) By the issue of short-term interest-bearing bonds (bons de caisse) up to a maximum amount of ten times its capital;
(b) By deposits from banks and public institutions; and,
(c) By discounting its bills with other banks.

The Bank will be administered by a Board composed of twelve members, of whom four shall be appointed by the Permanent Committee of the International Institute of Agriculture, the Council of the League of Nations, the Board of the Bank for International Settlements, and the Board of the International Agricultural Mortgage Credit Bank respectively; and seven by the General Assembly from among the heads or representatives of agricultural credit institutions, or from among persons with special competence in banking and credit operations. One member will be appointed by the members appointed by the four international organisations mentioned above. The President and Vice-President will be appointed by the Board and will be selected from among its members.

The management of the Bank's current business will be entrusted to an Executive Committee of five members appointed by the Board, two of whom shall be the President and Vice-President of the Bank.

Official No C.503.M.210.1931.VII.
[C.E.U.E.47.]

ANNEX 7.

PREFERENTIAL CUSTOMS DUTIES ON THE IMPORTATION OF ROUMANIAN BARLEY FODDER AND MAIZE INTO GERMANY.

Note by the Secretary-General:

The Secretary-General has the honour to communicate to the Members of the Commission of Enquiry for European Union two letters dated August 21st which he has received from the German and Roumanian Governments respectively, together with two annexes (A and B) supplied to the

1 Not reproduced here.
Secretariat by the German Government. The second annex (B) is in German and Roumanian and additional copies are at the disposal of the delegations.

At the request of the two Governments, these documents will be examined by the Economic Co-ordination Sub-Committee.

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

[Translation supplied by German Government.]

Berlin, August 21st, 1931.

On June 27th, 1931, the German and the Royal Roumanian Governments signed at Geneva a Commercial and Shipping Treaty which, as regards the importation into Germany of Roumanian barley as animal fodder (the use of which is controlled by the Customs Authorities) and of Roumanian maize provides for preferential rates of Customs duty, amounting, in the case of the barley, to 50 per cent, and, in the case of maize, to 40 per cent of the respective tariff rates in operation at any given time. The procedure to be adopted in connection with these preferential duties has been determined by a Special Protocol of which I have pleasure in enclosing a copy (see Appendix).

In agreeing upon these preferential duties, the German and Roumanian Governments follow the principles laid down in respect of such preferences at the various international conferences held at Geneva under the auspices of the League of Nations. In this connection, I should like to point out, in particular, that, in the Special Protocol, the Royal Roumanian Government has undertaken to see that the preferential duties granted by Germany shall, in any calendar year, not be applied to quantities exceeding the normal importation of these products from Roumania into Germany in the past. The rule laid down internationally, according to which preferential duties shall only be a temporary exceptional measure and shall not remain in force any longer than the agricultural crisis in the countries of south-eastern Europe lasts, finds its expression in the fact that the German-Roumanian Commercial Treaty has been concluded for a period of two years only, and can, thereafter, be denounced with three months' notice. Finally, it is in accordance with the principles mentioned that all tariff consolidations and tariff reductions conceded by the Royal Roumanian Government are subject to the most-favoured-nation clause. The extent of these tariff consolidations and tariff reductions is shown in Annex B.¹

In accordance with the principles laid down at Geneva, the German and the Royal Roumanian Governments are of opinion that these preferential duties can become operative as a temporary exception to the most-favoured-nation treatment only on condition that the most favoured nations shall approve of such a measure. In order to obtain such an approval on the part of the European countries concerned, the German and the Royal Roumanian Government propose to submit the matter to the Co-ordination Sub-Committee, appointed by the Commission of Enquiry for European Union, at the meeting of the Sub-Committee which begins on August 31st, 1931.

I shall feel obliged if you will kindly transmit the above communications to the Governments of the States represented on the Commission of Enquiry for European Union, and have the matter entered on the agenda of the next meeting of the Co-ordination Sub-Committee.

(Signed) CURTIUS.

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

[Translation.]

Bucharest, August 21st, 1931.

The Royal Roumanian Government and the German Government signed at Geneva on June 27th, 1931, a Convention of Commerce and Navigation containing preferential Customs duties for the importation into Germany of Roumanian fodder barley and maize—namely, for barley 50 per cent and for maize 40 per cent of the general Customs duties currently in force. There is a Special Protocol regulating the collection of these duties.

In agreeing upon these preferential Customs duties, the Roumanian and German Governments adopted as their basis the principle laid down in this matter by the various international conferences held under the auspices of the League of Nations. In this connection, I should like to point out that, by the terms of the Special Protocol, the Royal Roumanian Government undertakes to see every year that the preferential duties granted by Germany are not applied to quantities exceeding the normal imports of these Roumanian products into Germany in recent years.

The established international principle whereby preferential Customs tariffs constitute only a temporary exception, limited to the duration of the agricultural crisis in the countries of

¹ Not reproduced.
South-Eastern Europe, is duly observed, inasmuch as the Roumanian-German Commercial Convention is concluded for a period of two years, after which it may be denounced at three months' notice. Lastly, it is provided, also in accordance with the above-mentioned principles, that the Customs consolidations and reductions granted by the Roumanian Government in the Convention of Commerce will be subject to the most-favoured-nation regime. These various consolidations and reductions of Customs duties are shown in Annex B.

The Royal Roumanian Government and the German Government, in conformity with the principles laid down at Geneva, consider that these preferential Customs duties cannot take effect without the consent of the countries to which the most-favoured-nation clause applies, and that they constitute a temporary exception to that clause.

With a view to obtaining the consent of the European countries concerned, the two Governments intend to submit the question to the Co-ordination Sub-Committee set up by the Commission of Enquiry for European Union at its session opening on August 31st, 1931.

I should be grateful if you would transmit this communication to the Governments of the countries represented on the Commission of Enquiry for European Union, and if you would arrange for the question to be placed on the agenda of the next session of the Co-ordination Sub-Committee.

(Signed) D. J. Ghika,

Minister of Foreign Affairs.

Appendix.

[Translation supplied by German Government.]

SPECIAL PROTOCOL TO ANNEX A OF THE GERMAN-ROUMANIAN COMMERCIAL TREATY, REGARDING THE APPLICATION OF PREFERENTIAL TREATMENT.

The German Government reserve the right to extend the preferential concessions regarding the importation of maize and barley as animal fodder into Germany, as granted to the Roumanian Government by the present treaty, also to Bulgaria, Yugoslavia and Hungary.

It is understood that any further advantages that may be granted by Germany to the above-named countries for these products shall likewise be extended to Roumania. Germany will not grant any preferential concessions regarding maize and barley as animal fodder to any other countries than Bulgaria, Yugoslavia and Hungary.

If the German Government increases the import duties on maize or barley as animal fodder, or alters temporarily the existing regime for these products, or raises the monopoly sales prices of the various kinds of maize as against the average prices ruling in 1931, and if the Roumanian Government considers that the sales of Roumanian barley as animal fodder and of Roumanian maize in Germany would be interfered with by such a measure, the Roumanian Government shall be entitled to demand immediate negotiations for the purpose of bringing about an adjustment. If such negotiations do not take place, or if they do not lead to agreement within one month from the date on which the demand of the Roumanian Government reaches the German Government, the Roumanian Government shall be entitled to denounced prematurely the present treaty by giving not less than one months' notice.

The German Government undertake to see that the German Maize Office (Reichsmaisstelle), in acquiring imported maize, shall not treat Roumanian maize less favourably than maize from other countries of origin.

If, and so far as, the German Maize Office, under the powers given to them by Section 3 of the German Maize Act (Reichsmaisgesetz) of March 26th, 1930, buys and imports maize from abroad exclusively or in a considerable quantity (i.e., in any calendar year more than 5 per cent of the imports in the preceding year), the German Maize Office shall be bound to see that the Roumanian share therein shall not be less favourable for Roumania than the Roumanian share of the total German maize imports in the years 1925 to 1928. The German Maize Office shall purchase in Roumania the quantity of maize which, in this way, represents Roumania's share. This rule shall not apply to purchases of maize up to 5 per cent of the Roumanian share of the total German maize imports as averaged during the years 1925 to 1928, if, for technical or commercial reasons, the maize cannot be purchased in Roumania. The German Maize Office shall, in every case, notify the Roumanian Government of any purchases of maize in Roumania and shall, as far as possible, respect any wishes and suggestions expressed by the Roumanian Government. In the case of such purchases, consideration shall be given to the preferential treatment of maize as agreed upon in the present treaty.

Should, in consequence of measures taken by the German Maize Office, the imports of Roumanian maize into Germany, according to German official statistics, drop during the first year after the signing of the present treaty by more than 15 per cent below the average of the years 1925 to 1928, the Roumanian Government shall be entitled to the same rights as provided by Section 2 hereof.

Under the rules laid down in the Annex to the "Final Act" of the Second International Conference with a view to Concerted Economic Action (League of Nations official document A.E.C.17(1), dated November 28th, 1930), the Roumanian Government shall be bound to see that the preferential duties on Roumanian maize and Roumanian barley as animal fodder, as conceded

1 Not reproduced.
by Germany, shall, in any calendar year, not be applied to quantities exceeding the normal quantities of these Roumanian products that have previously been imported into Germany. On request, both Governments are willing to render each other at any time information regarding the quantities of these Roumanian products imported into Germany.

The Customs Authorities of the contracting parties shall, if necessary, agree on measures calculated to prevent any abuse of the preferential treatment of Roumanian maize and Roumanian barley as animal fodder, as agreed upon in the present treaty, to the detriment of one or both contracting parties.

Done at Geneva in duplicate, June 27th, 1930.

(Signed) Posse,
Cezar Popescu.


ANNEX 8.

PREFERENTIAL CUSTOMS DUTY ON WHEAT OF HUNGARIAN ORIGIN IMPORTED INTO GERMANY.

Note by the Secretary-General:

The Secretary-General has the honour to communicate to members of the Commission of Enquiry for European Union two letters with annexes (A and B), dated August 24th, which he has received from the German and Hungarian Governments respectively. The second annex (B) referred to in the letters will be circulated in due course in German as soon as copies are received at the Secretariat.

At the request of the two Governments, these documents are submitted for examination to the Economic Co-ordination Sub-Committee.

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

[Translation supplied by German Government.]

Berlin, August 24th, 1931.

The German and the Royal Hungarian Governments have, on July 18th, 1931, signed a Commercial Treaty which, as regards the importation into Germany of Hungarian wheat, provides for a preferential rate of duty amounting to 75 per cent of the general tariff rate in operation at any given time. The preferential duty does not apply to wheat imported for the manufacture of wheat starch nor to hard wheat imported for the manufacture of hard wheat semolina, the manufacture in both cases being controlled by the Customs authorities. The procedure to be adopted in connection with this preferential tariff is determined by certain provisions of the Final Protocol to the Commercial Treaty, of which I have pleasure in enclosing a copy.

In agreeing upon the preferential tariff, the German and the Royal Hungarian Governments followed the principles laid down in connection with such preferences at the various international conferences held at Geneva under the auspices of the League of Nations. In this connection, I should like to point out, in particular, that under the provisions of the Final Protocol, of which a copy has been enclosed, the Royal Hungarian Government undertakes to see to it that, in any calendar year, the preferential duty on wheat granted by Germany shall not be applied to quantities exceeding the Hungarian requirements as to the exportation of wheat into Germany on the basis of the present wheat areas under cultivation in Hungary. The rule laid down internationally, according to which preferential duties are only to be a temporary exception and shall not remain in force any longer than the agricultural crisis in the countries of South-Eastern Europe is going to last, finds its expression in the fact that the German-Hungarian Commercial Treaty has been concluded for a period of two years only, and can, thereafter, be denounced with three months' notice. Finally, it is in accordance with the principles mentioned that all tariff consolidations and tariff reductions conceded by the Royal Hungarian Government in this Commercial Treaty, partly in return for the preferential duty granted by Germany, are subject to the most-favoured-nation clause. The extent of these tariff consolidations and tariff reductions is shown in Annex B. 1

In accordance with the principles laid down at Geneva, the German and the Royal Hungarian Governments are of opinion that the preferential duty can only become operative as a temporary exception to the most-favoured-nation treatment if the most favoured nations agree to such a measure. In order to bring about such an agreement on the part of the European countries

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1 Not reproduced.
concerned, the German and the Royal Hungarian Governments propose to submit the matter to the Co-ordination Sub-Committee appointed by the Commission of Enquiry for European Union, at the meeting of the Committee which begins on August 31st, 1931.

I shall feel obliged, if you will kindly transmit the above communications to the Governments of the States represented on the Commission of Enquiry for European Union, and have the matter entered on the agenda of the next meeting of the Co-ordination Sub-Committee.

(Signed) CURTIUS.

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

(Translation.)

Budapest, August 24th, 1931.

On July 18th, 1931, a commercial treaty between Hungary and Germany was signed at Geneva, providing for a preferential Customs duty on wheat of Hungarian origin imported into Germany. The extent of the preference is 25 per cent off the general rate. The procedure for the application of this preferential duty is laid down by the Final Protocol of the Treaty, of which the relevant text is attached (see Appendix).

In coming to an agreement on the above mentioned preference, the Hungarian and German Governments have taken as a basis the principles laid down in the course of a number of conferences held under the auspices of the League of Nations. As is made clear in Annex A, the preferential duty will apply only to quantities of wheat corresponding to the amount Hungary requires to export to Germany on the basis of existing Hungarian areas under cultivation.

The Treaty has been concluded for two years, and may be denounced after the expiry of these two years on three months' notice being given. The principle that a preference may only be granted exceptionally and for the duration of the existing agricultural crisis in the States of Eastern and Southern Europe is thereby safeguarded.

The other fundamental rule, whereby the preference must be unilateral, has likewise been respected. The reductions and consolidations of Customs duties granted by Hungary in compensation for the preferential duty on her wheat are covered by the most-favoured-nation clause. The list of Hungarian concessions is attached (Annex B 1).

The Royal Hungarian Government and the German Government are in complete agreement that the preference in question may only be put into force as a temporary derogation to the most-favoured-nation clause with the previous consent of all nations enjoying the advantages of this clause.

It is for this reason that they have decided to submit this question to the Economic Co-ordination Sub-Committee, set up by the Commission of Enquiry for European Union, at its next session, summoned for August 31st, in order to obtain the approval of the Governments represented thereon.

I therefore take the liberty of asking you to have this question put on the agenda of the next meeting of the Economic Co-ordination Sub-Committee.

For the Minister:

(Signed) KHUEN-HÉDERVÁRY,

Envoy Extraordinary and
Minister Plenipotentiary.

Appendix

Extract from the Final Protocol to the German-Hungarian Commercial Treaty of July 18th, 1931.

(Translation supplied by German Government.)

Ad Annex A, re Tariff item No. 2:

The preferential duty for wheat as agreed upon does not apply to the tariff rates provided for in the notes 1 and 2 of tariff item No. 2 of the German Tariff.

The German Government reserve the right to grant the preferential duty on wheat to Bulgaria, Yugoslavia and Roumania as well. Any further privileges granted by Germany to the above mentioned countries with regard to wheat shall, at the same time, be participated in by Hungary. Germany will not grant a preferential duty on wheat to any other countries except Bulgaria, Yugoslavia and Roumania.

Under the rules contained in the annex to the Final Act of the Second International Conference with a view to Concerted Economic Action (League of Nations official document A.E.C.17(1),

1 Not reproduced.
of November 28th, 1930) the Hungarian Government is bound to see to it that in any calendar year the preferential duty on wheat granted by Germany shall not be applied to quantities exceeding the Hungarian requirements as to the importation of wheat into Germany on the basis of the present wheat areas under cultivation in Hungary.

The Customs Authorities of the contracting parties will, if necessary, agree on measures calculated to prevent any abuse to the detriment of both, or of one, of the contracting countries of the preferential treatment as agreed upon in the present treaty with regard to Hungarian wheat.

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**ANNEX 9.**

**POSITION OF GREEK AGRICULTURAL PRODUCTION.**

*Note by the Secretary-General:*

The Secretary-General has the honour to transmit to the members of the Commission of Enquiry for European Union a memorandum which was communicated to him by the Greek Government and which contains a general review of the position of Greek agricultural production.

This document was prepared in accordance with a resolution adopted by the Commission at its session in May (document C.395.M.158.1931.VII, page 192, No. 7, paragraph 5) concerning the inclusion in the Co-ordination Sub-Committee's agenda of the question of the extension of special facilities to agricultural products other than grain.

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**MEMORANDUM FROM THE GREEK GOVERNMENT.**

*[Translation.]*

It was not without very weighty reasons that the Vice-President of the Council and Minister for Foreign Affairs of Greece, at the third session of the Committee of Enquiry for European Union, urged that the special facilities, the grant of which is under consideration in the case of Central European cereals, should be extended to agricultural products other than cereals.

The accession to the Greek proposal of a number of other equally interested delegations affords further proof that the proposal deserves the attention of the Committee at least as much as the applications of the cereal-producing countries of Central and Eastern Europe.

The agricultural depression from which Greece and other countries with similar products are suffering is not one whit less serious than the depression prevailing in cereal-producing countries.

A picture of the agricultural crisis in Greece may be found in the memorandum by M. Caramanos, Director-General at the Ministry of Agriculture, which is contained in the volume on the agricultural crisis recently published by the Secretariat (document C.239.M.105.1931.II.(B)).

After giving an account of the general phenomena of economic distress to be met with in Greece, as elsewhere in Europe, the memorandum enumerates special circumstances arising out of the settlement of the refugees, which, added to the other difficulties, have seriously aggravated the agricultural crisis.

It should be borne in mind that the agricultural population of Greece amounts to 65 per cent of the total population.

The principal symptoms of the crisis are, first, the fall in prices and, secondly, the decline in exports. The former development is to a great extent a result of the latter. The export market, for reasons which need not be given here, has to cope with prices which are much below the cost price of exported products. The producer is consequently faced with the following dilemma: either he must continue to produce for export with the certainty of not earning even the cost of production, or he must turn his attention to the home market. But the home market is glutted with surpluses. Hence the collapse in prices.

M. Caramanos, in his memorandum, gives a table showing the decline in the export of the principal Greek agricultural products (tobacco, oil, wine, raisins, etc.). Below will be found tables
showing the difference between the cost price of these products and the sale price they are fetching at present.

I. TOBACCO.

The tobacco production in Greece is of immense importance. As already stated, agriculture accounts for 65 per cent of the Greek population. Tobacco-growing alone accounts for 14.5 per cent—i.e., for 900,000 persons, or about one-seventh of the total population.

In values, the proportion of the tobacco exported in relation to the total volume of exports is even greater. In 1929, it amounted to 56.52 per cent (3,948,553,000 drachmae out of a total of 6,985,196,000 drachmae), and in 1930 to 57.15 per cent (3,382,003,000 drachmae out of a total of 5,917,846,000 drachmae).

M. Caramanos gives in his memorandum the quantities of tobacco exported in 1929 and 1930 (reduction of 1.7 per cent) and the values in the same years (reduction of 12.8 per cent).

New figures are now available for the 1930 harvest and its marketing between September 1st, 1930, and May 31st, 1931. This period may be taken as virtually the equivalent of a year, since it includes the months during which the best part of the trade takes place; in the three months of the dead season there is little hope of any increase in the total sale figures.

As compared with 50,055 tons exported in 1929 at 78,880 drachmae per ton, and 49,195 tons exported in 1930 at 68,750 drachmae per ton, only 37,540 tons were sold during the period September 1st, 1930, to May 31st, 1931, with a total value of 991,200,000 drachmae (26,400 drachmae per ton), which represents a further reduction of 23.7 per cent in the quantities and 61.6 per cent in the prices.

As regards the quantities, there may be a chance (though, as stated, it is only a slight one) of an improvement in the months June-July-September 1931; but the position in regard to prices is bound to grow worse, since, in the first place, the best qualities have already been sold, and, in the second place, the fall in prices is always more marked at the close of the season.

As stated, the sale price of tobacco shows an average fall from 78.88 drachmae per kilogramme in 1929 and 68.75 drachmae in 1930 to 26.40 drachmae. This figure is averaged on the prices of different qualities graded in seven classes as in the following table (which also shows the quantities and values per class of tobacco sold between September 1st, 1930, and May 31st, 1931):

<table>
<thead>
<tr>
<th>Class of tobacco</th>
<th>Quantity Kilogrammes</th>
<th>Value Drachma</th>
<th>Average sale price per kilogramme Drachma</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Thrace</td>
<td>3,700,000</td>
<td>126,550,000</td>
<td>34.20</td>
</tr>
<tr>
<td>II. Eastern Macedonia</td>
<td>11,635,000</td>
<td>407,350,000</td>
<td>35.97</td>
</tr>
<tr>
<td>III. Central and Western Macedonia</td>
<td>5,670,000</td>
<td>126,630,000</td>
<td>22.35</td>
</tr>
<tr>
<td>IV. Thessaly and Pthiotis</td>
<td>5,800,000</td>
<td>97,880,000</td>
<td>16.85</td>
</tr>
<tr>
<td>V. Eotlia, Acarnania and Epirus</td>
<td>4,810,000</td>
<td>126,180,000</td>
<td>26.25</td>
</tr>
<tr>
<td>VI. Attica and the Islands</td>
<td>4,515,000</td>
<td>95,550,000</td>
<td>21.15</td>
</tr>
<tr>
<td>VII. Peloponnese</td>
<td>1,410,000</td>
<td>10,850,000</td>
<td>7.70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,540,000</strong></td>
<td><strong>991,200,000</strong></td>
<td><strong>26.40</strong></td>
</tr>
</tbody>
</table>

The following table shows the items which constitute the cost price of high-grade tobacco from Eastern Macedonia:

<table>
<thead>
<tr>
<th>Cost of Production per Deciare.</th>
<th>Drachma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>400</td>
</tr>
<tr>
<td>Cost of planting</td>
<td>280</td>
</tr>
<tr>
<td>Watering</td>
<td>125</td>
</tr>
<tr>
<td>Cost of sowing</td>
<td>375</td>
</tr>
<tr>
<td>Cost of weeding (five women's wages)</td>
<td>150</td>
</tr>
<tr>
<td>Cost of harvesting (twelve men's wages)</td>
<td>600</td>
</tr>
<tr>
<td>Cost of treatment</td>
<td>800</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>200</td>
</tr>
<tr>
<td>Drying</td>
<td>75</td>
</tr>
<tr>
<td>Insurance against hail</td>
<td>75</td>
</tr>
<tr>
<td>Insurance against fire and interest on working capital</td>
<td>400</td>
</tr>
<tr>
<td>Interest on fixed capital</td>
<td>400</td>
</tr>
<tr>
<td>Overhead costs and unforeseen expenditure</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,000</strong></td>
</tr>
</tbody>
</table>

The average yield per deciare in this district is 75 kilogrammes, so that the cost per kilogramme works out at 53.35 drachmae, or 18.35 drachmae more than the sale price.
It is the same with the other classes of tobacco, as will be seen from the following table:

<table>
<thead>
<tr>
<th>Class of tobacco (see above)</th>
<th>Average cost of production per deciare Drachmæ</th>
<th>Average yield per deciare Kilogrammes</th>
<th>Average cost of production per kilogramme Drachmæ</th>
<th>Averagesale price per kilogramme Drachmæ</th>
<th>Difference between cost of production and sale price Drachmæ</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>3,500</td>
<td>70</td>
<td>50.—</td>
<td>34.20</td>
<td>—15.80</td>
</tr>
<tr>
<td>II</td>
<td>4,000</td>
<td>75</td>
<td>53.35</td>
<td>35.—</td>
<td>—18.35</td>
</tr>
<tr>
<td>III</td>
<td>2,000</td>
<td>85</td>
<td>23.55</td>
<td>22.35</td>
<td>+1.20</td>
</tr>
<tr>
<td>IV</td>
<td>1,250</td>
<td>80</td>
<td>15.65</td>
<td>16.85</td>
<td>+1.20</td>
</tr>
<tr>
<td>V</td>
<td>2,500</td>
<td>80</td>
<td>31.25</td>
<td>26.25</td>
<td>—5.—</td>
</tr>
<tr>
<td>VI</td>
<td>1,250</td>
<td>75</td>
<td>16.65</td>
<td>21.15</td>
<td>+4.50</td>
</tr>
<tr>
<td>VII</td>
<td>750</td>
<td>100</td>
<td>7.50</td>
<td>7.70</td>
<td>+0.20</td>
</tr>
</tbody>
</table>

There is no possibility of cutting down the cost of production, as a glance at the figures of the wages paid will show.

Fifty drachmæ (3.35 gold francs) per man per day and 30 drachmæ (2 gold francs) per woman—such are the wages in Macedonia, where the cost of production per deciare is 4,000 drachmæ. In other districts, where the cost of production is much less, as the preceding table shows (3,500 drachmæ in Thrace; 2,500 drachmæ in Ætolia, Acarnania and Epirus; 2,000 drachmæ in Central and Western Macedonia; 1,250 drachmæ in Thessaly, Phthiotis, Attica and the Islands; 750 drachmæ in the Peloponnesus), wages are very much less.

The total loss occasioned by selling below the cost of production during the period under consideration is shown in the following table:

<table>
<thead>
<tr>
<th>Class of tobacco (see above)</th>
<th>Quantity sold Kilogrammes</th>
<th>Loss (—) or profit (+) per kilogramme Drachmæ</th>
<th>Total loss (—) or profit (+) Drachmæ</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>3,700,000</td>
<td>—15.80</td>
<td>—58,460,000</td>
</tr>
<tr>
<td>II</td>
<td>11,635,000</td>
<td>—18.35</td>
<td>—213,502,000</td>
</tr>
<tr>
<td>III</td>
<td>5,070,000</td>
<td>—1.20</td>
<td>—6,804,000</td>
</tr>
<tr>
<td>IV</td>
<td>5,800,000</td>
<td>+1.20</td>
<td>+6,960,000</td>
</tr>
<tr>
<td>V</td>
<td>4,810,000</td>
<td>—5.—</td>
<td>—24,050,000</td>
</tr>
<tr>
<td>VI</td>
<td>4,515,000</td>
<td>+4.50</td>
<td>+20,317,000</td>
</tr>
<tr>
<td>VII</td>
<td>1,410,000</td>
<td>+0.20</td>
<td>+282,000</td>
</tr>
</tbody>
</table>

This amounts to a total difference of 275,256,750 drachmæ, or some 18,500,000 gold francs.

II. OIL.

Cost of Production per Deciare.

<table>
<thead>
<tr>
<th>Cost of cultivation</th>
<th>Drachmæ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of pruning</td>
<td>60</td>
</tr>
<tr>
<td>Cost of harvesting and pressing</td>
<td>50</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>150</td>
</tr>
<tr>
<td>Various taxation</td>
<td>75</td>
</tr>
<tr>
<td>Overhead costs and insurance against hail</td>
<td>50</td>
</tr>
<tr>
<td>Interest on working capital</td>
<td>30</td>
</tr>
<tr>
<td>Interest on fixed capital</td>
<td>30</td>
</tr>
<tr>
<td>Amortisation of plant</td>
<td>225</td>
</tr>
</tbody>
</table>

Total          670

The average yield per deciare is 32 kilogrammes, so that the cost of production works out at 21 drachmæ per kilogramme. The sale price averages 11 drachmæ per kilogramme, so that there is a loss for the producer of 10 drachmæ per kilogramme, or 320 drachmæ per deciare.

III. WINE.

Cost of Production per Deciare.

<table>
<thead>
<tr>
<th>Cost of cultivation</th>
<th>Drachmæ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sulphur treatment</td>
<td>90</td>
</tr>
<tr>
<td>Cost of gathering and pressing</td>
<td>160</td>
</tr>
<tr>
<td>Overhead costs and unforeseen expenditure</td>
<td>30</td>
</tr>
<tr>
<td>Interest on working capital</td>
<td>60</td>
</tr>
<tr>
<td>Interest on fixed capital</td>
<td>275</td>
</tr>
<tr>
<td>Amortisation of plant</td>
<td>110</td>
</tr>
</tbody>
</table>

Total          1,025
The average yield per deciare is 400 kilogrammes, so that the cost of production works out at 2.50 drachmae per kilogramme (cost of production of average quality wine; other qualities range from 1.75 drachmae per kilogramme up to 3.25 drachmae per kilogramme for the highest quality).

Taking into account the fall in sale prices in foreign markets, and deducting cost of transport and trading costs, the producer is left with no more than 1.80 drachmae per kilogramme; so that there is a loss of 0.70 drachmae per kilogramme, or 280 drachmae per deciare.

IV. RAISINS.

**Cost of Production per Deciare.**

<table>
<thead>
<tr>
<th>Item</th>
<th>Drachmae</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of cultivation</td>
<td>310</td>
</tr>
<tr>
<td>Care of plants</td>
<td>250</td>
</tr>
<tr>
<td>Chemical treatment</td>
<td>240</td>
</tr>
<tr>
<td>Cost of gathering</td>
<td>125</td>
</tr>
<tr>
<td>Overhead costs and insurance against hail</td>
<td>110</td>
</tr>
<tr>
<td>Interest on working capital</td>
<td>140</td>
</tr>
<tr>
<td>Interest on fixed capital</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,675</strong></td>
</tr>
</tbody>
</table>

The average yield per deciare is 600 Venetian pounds, so that the cost of production works out at 2.80 drachmae per pound. The average sale price is 2.20 drachmae per Venetian pound so that there is a loss for the producer of 0.60 drachma per pound, or 360 drachmae per deciare.

The outcome of such a situation is obvious. The producer, working at a loss, is compelled to contract new debts in order to continue to grow his crops and satisfy his personal requirements—a purely temporary palliative which is worse than the original evil. The interest payments on the new loans augment the cost of production, and the position of the producer becomes more and more critical. Compelled to make petty economies in order to provide for current cash requirements, he is unable to improve his methods of cultivation and thereby reduce his cost of production. Again, the rate he has to pay for his loans will be increasingly usurious in proportion as his position is affected, particularly as there is scant prospect of his marketing the whole of next year's crop, which constitutes the security for his borrowing.

The banks themselves, in order to avoid being involved in heavy losses, are compelled to restrict their agricultural business to a minimum, and continually to raise the terms on which they are prepared to finance producers.

The latter, accordingly, are faced with complete ruin. To say nothing of the social perils which such a catastrophe would involve, it is easy to imagine the effect on the balance of payments of a country like Greece, in which agricultural produce constitutes the principal wealth out of which the country has to pay for its purchases and finance the service of its debt to other countries.

The State has done all in its power to cope with this situation. M. Caramanos' memorandum gives an account of what has been done.

The proposal for the establishment of an international agricultural credit organisation, with which the Greek Government warmly associated itself from the first, cannot fail to bring relief to the producers.

But these measures are, unfortunately, not enough. The crisis goes beyond the limits of the Greek national economy. It is too serious and too deep-seated to allow of a solution by anything less than international action. The urgent need for such action appears to have been recognised in the case of the cereal-producing countries. The Greek Government believes it to be indispensable that such action should be extended to include the agricultural products of Greece.

ANNEX 10.

CONCLUSIONS OF THE ECONOMIC COMMITTEE ON THE PROBLEM OF THE TRADE IN AND TRANSIT OF FARM PRODUCTS OF ANIMAL ORIGIN.

(Extract from Document C.427.M.177.1931.II.B.)

The Veterinary Delegation of the Economic Committee drew up, after a fresh consultation with the experts, a third preliminary draft of an international Convention concerning the export and import of products of animal origin (other than meat, meat preparations, fresh animal products, milk and milk products).
The Committee therefore had before it, at its present session, three preliminary drafts of a veterinary Convention concerning:

(a) The campaign against contagious diseases of animals;
(b) The transit of animals, meat and other products of animal origin;
(c) The export and import of products of animal origin (other than meat, meat preparations, fresh animal products, milk and milk products).

The Committee examined these proposals with the assistance of the Chairman and the Rapporteur of the Sub-Committee of Experts.

The Chairman and the Rapporteur stated that the experts were unanimously of the opinion that these three preliminary drafts, while constituting but a first step towards improved conditions in the international trade in animals and products of animal origin, presented very valuable elements of progress in the organisation of the veterinary services and in the campaign against the alarming spread of epizootic diseases. The drafts were also calculated to facilitate transit and accurately and scientifically to regulate the trade in products of animal origin, trade which had hitherto shown much instability.

The Economic Committee, sharing to the full the opinion of the experts and making use of the authorisation previously granted to it by the Council for the purpose, is asking the Secretary-General to communicate these three preliminary drafts to the Governments and to request them to submit their observations, while at the same time stating whether they regarded the drafts as likely to serve as a basis of discussion at an International Diplomatic Conference.

Official No.: C.354.M.153.1931.VII.
[C.E.U.E.34.]
[C.395.M.158.1931.VII. (Extract)].

ANNEX 11.

DRAFT PROTOCOL OF ECONOMIC NON-AGGRESSION PROPOSED BY THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS.

The representatives of the undersigned European countries,

Recognising that:

(a) The mitigation of the crisis which has overtaken the national economy of most countries requires, in addition to abstention from war as a means for the solution of international conflicts, the complete cessation of all forms of economic aggression, both avowed and concealed, by any countries or groups of countries, against any other countries or groups of countries;
(b) The cessation of economic aggression is an essential condition for the peaceful co-operation of States in the sphere of economics, irrespective of their political-economic systems;
(c) The cessation of economic aggression would help to put an end to the present atmosphere of mistrust, uncertainty and alarm, weighing so heavily upon the economic position;

And hoping that all other countries inspired by their example will join this Protocol, Have decided to recommend their Governments to sign the following Protocol:

1. The contracting parties once more solemnly confirm the principle, proclaimed at the International Economic Conference of 1927, of the peaceful coexistence of countries, irrespective of their social-political and economic systems.
2. 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 or not applicable to all other countries.

This Protocol will be ratified and come into force between those of the contracting parties who give in their ratification papers to the President of the Commission for the study of a European Union.

This Protocol may be subscribed to by all States in the world. Notification of adherence will be given to the President of the Commission for the study of a European Union, and it will immediately come into force between the State subscribing to it, and all other parties to it.
The President of the Commission for the study of a European Union will notify all parties to the Protocol of every new ratification or of every adherent, as soon as ratification papers have been received.

ANNEX 12.

LETTER TO THE PRESIDENT OF THE TWELFTH ASSEMBLY, FROM THE CHAIRMAN OF THE FOURTH SESSION OF THE COMMISSION OF ENQUIRY FOR EUROPEAN UNION COMMUNICATING THE RESULTS OF THE COMMISSION'S WORK SINCE ITS THIRD SESSION.

Geneva, September 5th, 1931.

The Assembly has received a report by the Secretary-General on the work done by the Commission of Enquiry for European Union from its formation down to the end of May.

I have now the honour to inform you of the work done by the Commission of Enquiry since that date. The result of this work is summarised in the report of the Co-ordination Sub-Committee (document A.36.1931.VII), to which are appended the reports of the various special committees of the Commission of Enquiry, and other relevant documents.

At its meeting of September 3rd, the Commission of Enquiry, being in general agreement with the views therein expressed, adopted the above-mentioned report, on which the attached resolutions are based. The Commission of Enquiry does not think it proper, however, to take any action on these resolutions until they have been laid before the Assembly.

(Signed) G. Motta.

Appendix.

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

I. — Economic Relations and Industrial Organisation.

The Commission of Enquiry for European Union:

(a) Decides to forward the report of the Sub-Committee of Economic Experts to the Governments of the States represented on the Commission, and to request them to send in their observations before January 1st, 1932, if possible.

At the same time it requests the Council of the League of Nations to instruct the Economic Committee of the League to study, on the basis of the preparatory work done by the Secretariat and having regard to the observations of Governments, the complex of problems raised by the idea of the "economic rapprochements" recommended by the Sub-Committee of Economic Experts;

(b) Requests the Council to instruct the Economic Committee to resume and pursue its consultations concerning the most important branches of production.

Based on the idea of "economic rapprochement", 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;

(c) Calls the Council's attention to the advantage there would be if arrangements were made for a full examination of the possible repercussions of the various schemes for economic rapprochement on the interests of non-European States.

II. — Credit Problems.

The Commission of Enquiry for European Union:

(a) Notes with interest the report of the Committee on Credit Problems;

(b) Requests the Council to give instructions for the study at the earliest possible date with the assistance of M. Francqui, Minister of State, of the scheme submitted by him to the Sub-Committee of Economic Experts;
Notes that the International Institute of Agriculture proposes to hold a conference shortly in order to come to a final decision as to the creation of an international organisation for short-term agricultural credits.

III. — AGRICULTURAL QUESTIONS.

The Commission of Enquiry for European Union:

(a) Is of opinion that a special committee like the Cereals Committee should consider, on the basis of the principles laid down at the Second Conference with a View to Concerted Economic Action and by the Cereals Committee at its session in June 1931, whether and under what conditions the extension of special facilities to agricultural products other than grain could be contemplated, regard being paid to the reservations made by various delegations on this subject;

(b) Requests the Council to instruct the Economic Committee to consider the expediency of preparing a preliminary draft international convention on the import and export of animals, meat and other products of animal origin.

IV. — UNEMPLOYMENT.

The Commission of Enquiry for European Union:

(a) Draws the attention of the Council to the desirability of asking the International Labour Office to summon a Technical Placing Conference to meet upon the terms and with the agenda suggested in the report of the Unemployment Committee;

(b) Requests the Council to entrust the Committee of Enquiry set up for this purpose by the Communications and Transit Organisation with the examination of any schemes for public works of European interest submitted by Governments to the League. This Committee should be completed by the addition of representatives of the International Labour Office and, if necessary, of the competent organs of the League;

(c) Requests the Council to submit for examination by the competent organs of the League the suggestions made by the International Institute of Agriculture and endorsed by the Unemployment Committee, with a view to the co-operation of the various factors of production for the exploitation of territories not utilised. This examination should be carried out in concert with the Unemployment Committee.

V. — PACT OF ECONOMIC NON-AGGRESSION.

The Commission of Enquiry:

Considers that a special committee should be set up to examine the Pact of Economic Non-Aggression as soon as this proposal has been approved by the Assembly.

VI. — LIAISON WITH THE LEAGUE ADVISORY ORGANISATIONS.

The Commission of Enquiry for European Union:

Requests the Council to invite the League’s Advisory bodies, whose co-operation has been solicited in the preceding resolutions, to establish liaison, in the course of their work, with the Commission of Enquiry, as has been suggested by the Co-ordination Sub-Committee.