DISPUTE BETWEEN ETHIOPIA AND ITALY
Co-ordination of Measures under Article 16 of the Covenant

CO-ORDINATION COMMITTEE
COMMITTEE OF EIGHTEEN
AND SUB-COMMITTEES

MINUTES OF THE SECOND SESSION

October 31st - November 6th, 1935
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CO-ORDINATION COMMITTEE

FIRST MEETING (PUBLIC).

_Held on Thursday, October 31st, 1935, at 6 p.m._

Chairman: M. de Vasconcellos (Portugal).

1. Statement by the Chairman on the Replies received from Governments to the Proposals of the Co-ordination Committee.

The Chairman stated that fifty Governments had prohibited, or were about to prohibit, the export to Italy of arms, munitions and war material, in conformity with Proposal I adopted on October 11th. The Government of the United States of America had prohibited, even before the Committee's deliberations, the export of arms, munitions and war material to either of the parties to the dispute.

In the next place, forty-nine Governments had already taken action on Proposal II, or had declared their readiness to take such action.

With regard to Proposals III and IV for the prohibition of imports from Italy and the embargo on certain exports to Italy, the replies received from forty-eight Governments already warranted the conclusion that those proposals had met with very extensive agreement on the part of Governments.

Lastly, thirty-nine replies had been received to Proposal V.

The above facts called for no comment. They were sufficient to show the extent to which the Members of the League, called upon for the first time to assume the heavy responsibilities devolving on them in connection with the collective effort for international security based on justice and peace, had understood their duty of holding together in the face of grave events. In their loyalty to the Covenant, they had already given proof of their determination to ensure, and to enforce, the strict observance of the new law governing the international community.

The replies to Proposal I would be referred to the Legal Sub-Committee, the replies to Proposal II to the Sub-Committee for Financial Measures. The Committee of Eighteen and its Sub-Committees were at the moment engaged on the replies to Proposals III, IV and V.

M. Feldmans (Latvia) said he had been instructed by his Government to define to the Co-ordination Committee the sense of his Government's acceptance of the Co-ordination Committee's proposals.

The Latvian Government, having learned that reservations had been made by certain delegations during the discussions in the Committee of Eighteen and in various Sub-Committees, on none of which Latvia was represented, proposed carefully to watch the developments in this connection, and reserved its attitude in regard to each particular case, and its right to submit, if need be, requests for exceptional treatment analogous to those already made.

The Chairman said that, by the Co-ordination Committee's decision, the special cases were referred to the Committee of Eighteen for consideration.

SECOND MEETING (PUBLIC).

_Held on Saturday, November 2nd, 1935, at 3.30 p.m._

Chairman: M. de Vasconcellos (Portugal).

2. Declaration by the Chairman on the Resolutions proposed by the Committee of Eighteen.

The Chairman. — In submitting to the Co-ordination Committee the conclusions of the Committee of Eighteen, I should like to remind you that that Committee has had only one object in view — to defend our joint obligations with a view to the restoration of a just and honourable peace. I am confident that the measures taken by the Members of the League in execution of their obligations will further the achievement of that object.
3. Financial Measures: Draft Resolution submitted by the Committee of Eighteen regarding Proposal II.

The following draft resolution 1 was read:

"The Co-ordination Committee notes that thirty-nine Governments of Members of the League of Nations have taken or are taking measures with a view to rendering impossible those financial operations with Italy and Italian possessions defined in Proposal II adopted by the Committee on October 14th, and that ten other Governments have expressed their willingness to take such measures.

"It requests all Governments to take steps in order that the measures contemplated in Proposal II may take full legal effect by or before November 18th.

"Each Government which has not already sent a communication to this effect is requested to inform the Committee, through the Secretary-General of the League, within the shortest possible time, of the measures which it has taken in conformity with this resolution."

The resolution was adopted.


The following draft resolution 1 was read:

"The Co-ordination Committee,

"Taking note of the facts:

"(1) That forty-three Governments of States Members of the League have already expressed their willingness to accept Proposal III and forty-four Proposal IV adopted by the Committee on October 19th, and that six others which, owing to their distance from the seat of the League, did not immediately receive the full text of these proposals have expressed their readiness to consider them favourably;

"(2) That nearly all these Governments have declared themselves ready to put the proposed measures into force by the middle of November or by such date as may be fixed by the Co-ordination Committee:

"Decides to fix November 18th as the date for the entry into force of these measures;

"Invites all Governments of Members of the League to take the necessary steps so that these measures may be effectively applied throughout their territories by November 18th;

"Requests each Government to inform the Committee through the Secretary-General of the League, within the shortest possible time, of the measures which it has taken in conformity with the above provisions."

M. García Oldini (Chile) said he would vote in favour of the resolution, subject to the observations made by the Chilian Government in its reply to the Secretariat’s circular letters.

The CHAIRMAN replied that the Chilian Government’s observations had been referred to one of the special Sub-Committees for consideration.

M. García Oldini (Chile) was nevertheless anxious that his reservations might be expressly recorded in the Minutes.

The resolution was adopted.

M. Laval (France). — Now that the Co-ordination Committee has fixed the date for the entry into force of certain economic measures, I should like to remind you that, as I have constantly stated at the League, my country is loyally applying the Covenant.

It will comply with the prescriptions jointly adopted by the various Governments represented here.

We have all — and I should like to emphasise this point on the very day on which we are taking an important decision — another duty to fulfil, one that is dictated by the spirit of the Covenant. We must endeavour to seek, as speedily as possible, for an amicable settlement of the dispute. The French Government and the United Kingdom Government are agreed that their co-operation shall be exerted also in this sphere.

This duty is particularly imperative for France, which on January 7th last, signed a treaty of friendship with Italy. I shall therefore stubbornly pursue my attempts — from which nothing will deter me — to seek for elements that might serve as a basis for negotiations. It is thus that I have initiated conversations, without the slightest intention, however, of putting the results into final shape outside the League. It is only within the framework of the League that proposals can be examined and decisions reached.

1 Document No.: Co-ordination Committee/89.
I am convinced that the League will succeed in carrying out its lofty and noble mission of peace, thus fulfilling the hopes of all those who, in every part of the world, have put their faith in it.

Sir Samuel Hoare (United Kingdom).—I wish to state, in a few words, and quite simply, what I understand to be the meaning of the decision we are taking to-day. On November 18th, all exports from Italy to those Members of the League participating in the sanction contained in Proposal III will cease. A Committee will, between now and November 18th, examine certain cases in which it may prove desirable to recommend special treatment. But, whatever the decisions reached by that Committee, the rule itself remains inviolate and will be strictly observed by us all.

I will only add that it is with great regret that we have been forced to take this action. We felt, however, that for those of us who are determined to uphold the principles of the Covenant and collective security, no other course is possible. If the League is to retain its influence, collective action is inevitable. The object of our action is to shorten the duration of the war. We hope and believe that it will succeed in achieving this purpose. In any case, we shall all of us continue to search for peace and work for peace along lines that are honourable to all concerned.

I have listened with great sympathy and with full approval to the words uttered by M. Laval. He has accurately expressed what is in the minds of all of us. On the one hand, as loyal Members of the League, we feel it our bounden duty to carry out our obligations and to undertake the duty imposed upon us by the Covenant. On the other hand, we are under a no less insistent obligation to strive for a speedy and honourable settlement of the controversy. It is common talk that, during the last few days, there have been conversations taking place between Rome, Paris and London on the possibilities of such a settlement. There is nothing mysterious or sinister about these discussions. It is the duty of all of us to explore the road of peace. This is what we have been doing and this is what we shall continue to do. Up to the present, the conversations have been nothing more than an exchange of tentative suggestions. They have had, as yet, no positive outcome. There is therefore nothing to report. If and when these suggestions take a more definite form, we shall take the earliest opportunity to bring them before the Council in the most appropriate manner. Nothing is further from our minds than to make and conclude an agreement behind the back of the League. Nothing is further from our minds than to make an agreement that is not acceptable to all three parties to the controversy. For let us not forget that there are three parties in the controversy — the League, Ethiopia and Italy. At present, there are no proposals that we can bring before the Council and, in view of the great complexity of the problem, it may be some time before any proposals can be made. No one can prophesy whether we shall succeed or fail in our attempt to find a basis of settlement. Of one thing, however, I can assure this Committee: we shall constantly act within the framework of the Covenant and take the earliest practicable opportunity of reporting the results of our endeavours to the Council. It is essential to act in the spirit of impartial justice towards the three parties in the controversy — the League, Italy and Ethiopia.

I feel sure that everyone in this room will approve of our action and wish well to all who are pursuing the path of an honourable peace.

M. Van Zeeland (Belgium).—To all those who refuse to be disheartened by any noble task, however great the difficulties, the two declarations which we have just heard will appear as an encouragement.

In both those declarations, we find again a clear affirmation of ideas and resolves that are both just and necessary. The leaders of the United Kingdom and of France alike mean to apply loyally all the provisions of the Covenant and, at the same time, to survey all the appropriate paths for hastening the restoration of peace.

We can only congratulate the responsible statesmen upon the efforts they have made and are continuing to make. But both of them have rightly stressed the fact that results can be achieved only upon the basis of the Covenant, within the framework of the League. That being so, would it not be better to avoid losing a single day?

The League has just given striking proof of its vigour and its moderation. The measures to give effect to Article 16 have been approved and defined with firmness and in temperate terms. Some of those measures, which are particularly serious in character, will come into operation automatically after a certain interval, which, it is hoped, will be put to the best possible use by all the parties concerned.

In the circumstances, does it not seem right that efforts towards conciliation should, from this moment, be placed under the auspices and within the framework of the League itself? Since the responsible leaders of two great countries have already devoted a large part of their time and their talents to this task, why should the League not entrust to them the mission of seeking, under its auspices and control and in the spirit of the Covenant, the elements of a solution which the three parties at issue — the League, Italy and Ethiopia — might find it possible to accept?

If this suggestion were to meet with the approval of the members of this assembly, I think that the moral position of the League would be still further strengthened and that the chances of peace would be increased.

M. Potemkine (Union of Soviet Socialist Republics).—I wish to draw attention to the political significance of the efforts made within the framework of the League to settle the conflict that has arisen between two Members of this international institution which are equal in rights, but not in strength. True, the war in Africa is continuing, blood is being shed in Ethiopia,
but the League has given its verdict on the breach of the Covenant. Its machinery has been set in motion. In a few days, the Members of the League will have to bring into operation the measures designed to promote the cessation of hostilities and the re-establishment of peace on the basis of general security. Since, however, this is the League’s first experiment in applying sanctions, certain gaps may still be found. But, if the application of these measures is general, complete and loyal, it may produce a definite result.

During the framing of these various measures, there has been some hesitation at certain points, and even isolated cases of defection, but the enormous majority of the Members of the League have agreed to the sanctions resolutely and immediately. The application of these measures will call for sacrifice, but what price can be considered too high when we have to defend the interests of peace?

It is in order to safeguard the cause of peace now and in the future that the States Members of the League are acting to-day. They are urged on by a spontaneous, a universal, impulse. The peoples who are joining in this movement are stirred by a feeling of solidarity to resist the common peril. The world, it seems, is beginning to realise that peace is indivisible. It is becoming manifest to international public opinion that there is no fundamental difference between a conflict close at hand and a conflict at a distance — in Africa or in Europe. The idea of localising and isolating conflicts inevitably leaves the aggressor free to act as he pleases. It is an imperative necessity to prevent a world catastrophe by nipping it in the bud. The best means of achieving this is collective action — firm, resolute and unanimous. The gravity of the measures upon which we have just decided will perhaps help to strengthen the tendencies in favour of the pacific settlement of the Italo-Ethiopian dispute. It will perhaps facilitate the success of the efforts expended to that end.

If an amicable arrangement, within the framework of the League and consistent with the principles of independence, sovereignty and equality between its Members, could be reached, the Soviet delegation would be the first to express its satisfaction. It would be the best possible outcome. In that event, the present mobilisation of the League might be regarded as a valuable experience for the future. It would serve as an example and a warning to all and would show that all the peoples Members of the League are always ready unanimously and effectively to resist attempts from any quarter to violate world peace.

M. DE MADARIAGA (Spain). — In one of the documents which were distributed to the Co-ordination Committee to-day, you will see that, of the fifty-six States Members of the League, fifty-one have replied to Proposals I and II and forty-nine to Proposals III and IV. I do not mention Proposal V, which is concerned only with procedure.

I draw the conclusion that, since the immense majority of these replies are affirmative, we find ourselves in the presence of an imposing demonstration of that solidarity which is implicit in the principle of the League and of the efficacy of the League’s work. Further, I am quite sure that I am voicing the feelings of all the countries concerned when I say that not one of those which have replied “Yes” to the proposals we have been obliged to send them has done so light-heartedly; all, I am sure, have replied with heaviness of heart. It is not merely that resolutions have had to be adopted which will cause damage to all countries and very real and serious damage to some; it is not merely that extremely disagreeable decisions have had to be reached in respect of a given country. It is that these decisions have had to be reached in respect of one of the greatest and noblest countries, a country that can boast of an ancient civilisation, that has been one of the greatest contributors to the civilisation of Europe and of the world. I do not claim any special position for my own country in this regard, continuous and strong as are the cultural and racial ties which unite us to Italy. It would be both presumptive and tactless to attribute to Spain a place apart in a psychological situation in which we are all equally concerned.

What, however, is the meaning of that? It means that more than forty nations have undertaken a heavy task, have assumed an onerous duty. It is a fine act of solidarity to begin by accepting the duties of League membership before claiming the rights of that membership. But we must not forget those rights. The rights of the Members of the League which must be recalled to mind to-day amount to this: the counterpart of collective action in case of insecurity is collective action for the avoidance of insecurity in the future. It is not enough to come together to heal international ills; we must act together to prevent them.

Animated by this conception — in my opinion, the central, the essential conception if we have the future of the League in view — I am able wholeheartedly to concur in the proposal made to us by the Prime Minister of Belgium, and I welcome the efforts which have been made with remarkable tenacity, suppleness and vision by the French Prime Minister in conjunction with the United Kingdom Government.

Our first task is to ensure the maintenance of peace and to restore peace when it has been broken. But peace can only be secured through justice. Our duty therefore is to ensure justice without allowing ourselves to be swayed one way or the other by military events; without allowing ourselves to be swayed by such events either to favour those who may have triumphed by force of arms or to shun consideration of their interests because they have so triumphed; without allowing ourselves to be swayed, for justice requires calm, and those who momentarily find themselves amid the dust of battle may lose their calm. We who are not amid the dust of battle must not allow ourselves to lose our calm because others may perhaps sometimes lose it. At Geneva, we must proceed to peace through justice, and to justice through calm.
I therefore support the desire expressed here — I will not speak of a mandate because we have no power to grant one — that our negotiators, the Government of the United Kingdom and the Government of France, who are in a better position than the others, may pursue their praiseworthy efforts with a view to preparing the drafts of plans which will come back here for discussion in the Council, and may lead us to peace.

We have two guarantees that these preliminary plans will not only remain within the framework of the Covenant, but — what is more important — will be true to its spirit. The first of these is that ultimately the plans will have to be discussed and approved by the Council, and the second that our negotiators, France and the United Kingdom, are the two pillars of the League.

M. Titulesco (Roumania). — On behalf of the Little Entente and the Balkan Entente, I have the honour to make the following statement: The Little Entente and the Balkan Entente have been faithful upholders of the Covenant. They have assumed their political responsibilities courageously and have made sacrifices which will, they hope, be appreciated by the international community to their full extent. But the primary object of the League is to prevent war, and, when war has broken out, to re-establish peace. Thus we can only join with those who, inspired by this noble ideal, are making every effort to restore a just peace between Italy and Ethiopia. But peace, as we conceive it, is peace within the framework of the League and consistent with the fundamental principles of the Covenant. Accordingly, the Little Entente and the Balkan Entente will faithfully support all those who are working for peace through, with and for the League, realising as they do that by persisting in this path they can reconcile their international duty with the sincere friendship which binds them to Italy.

M. Motta (Switzerland). — I am not altogether able to control the very sincere feelings by which I am animated. When, on October 10th, in the Assembly of the League, M. Laval delivered the speech which is still fresh in our memory, I ventured, after explaining the position of the Confederation towards the present conflict, to express my very warmest appreciation of the efforts which the President of the Council of Ministers and first delegate of France had made.

To-day, now that this conference of Governments has succeeded — by an agreement which, notwithstanding various shades of opinion and minor divergencies, is still an admirable achievement — in co-ordinating the efforts relating to sanctions, it seems to me that the words uttered by M. Laval on October 10th acquire a fresh significance and value. I was glad, more glad than I can say, to hear the statement which he made to-day, and I felt no less gladness on hearing the distinguished Minister for Foreign Affairs of the United Kingdom; for complete agreement seemed to me to exist between those two declarations, so serious, so important and — I may say without exaggeration — of such historic moment.

The first delegate of the United Kingdom said that the task to which his Government and he had set their hand — in a manner deserving of the highest praise — was primarily a work of exploration, of investigation. Everyone realised that was bound to be so. But the work of exploration, or investigation, is to continue, and it will lead to the discovery of a just and equitable formula enshrining peace within the framework of the League.

You will ask me — with every reason — what right the first delegate of Switzerland has to speak at this juncture. Allow me to tell you why. In the first place, we are here at Geneva, in Switzerland, at the seat of the League of Nations. The very raison d'être of my country is summed up in two words: freedom and peace. My second reason for speaking is that Switzerland is a neighbour of Italy. The part of Switzerland which borders on Italy is the part which speaks Italian, my mother tongue.

I cordially endorse the hopes and congratulations so eloquently voiced by the representative of that noble country, Belgium.

M. Ruiz Guinazu (Argentine Republic). — On behalf of the Argentine Government, I warmly associate myself with the hopes just expressed by the representatives of France and the United Kingdom for a pacific solution of the dispute. We wish to see this ideal of peace victorious through conciliation. And precisely because of our traditional friendship with Italy, we long for this legal peace within the framework of the League.

M. Komarnicki (Poland). — I need not stress here the importance attached by my Government to the reasonable and equitable settlement of a dispute which has forced us to take the steps adopted to-day towards a country united to our own by the ties of an ancient and loyal friendship. Whatever the solution adopted for concrete cases, I wish to say that, in the presence of the proposals which will be submitted to it, my Government will deem it its duty to study, with all due attention and in the light of its obligations, the bases of any arrangement that may be contemplated. It is in this spirit that I have listened to the important statements made by the representatives of France and the United Kingdom, and I would point out that the previous speakers have very properly emphasised the rôle which devolves on the Council of the League. It will, in particular, be the Council's task to find a solution such as will restore peace. While expressing my sincerest wishes for the full success of the efforts made by France and the United Kingdom in the cause of peace, I must nevertheless point out that our Co-ordination Committee cannot confer a formal mandate on those Powers, the Council being the only body competent to deal with the substance of the problem.

In conclusion, I venture to hope that the basis of a durable and equitable peace may very speedily be found; that is Poland's most fervent wish.
M. TUDELA (Peru). — We are undoubtedly witnessing an event of incalculable significance. The Members of the League do not wish that, because the judicial procedure of the Covenant is being applied, it should be assumed that the primary aim of our constitution is being ignored. On behalf of Peru, which has close ties with Italy, I wish to add to the declarations of previous speakers my sincerest and warmest hopes that the noble efforts at present being made by France and the United Kingdom may shortly result in a peaceful, honourable and just settlement of the present dispute.

The CHAIRMAN. — The Conference of States Members of the League of Nations appointed to co-ordinate measures for the application of Article 16 has just listened to words of peace uttered by speakers of the highest authority. Certain suggestions have been made that the great workers in the cause of peace should continue their action within the framework of the League. It is the Committee's duty to take note of those suggestions, in the certainty that the League itself will encourage these countries in their activities.

I should be loath to add a single work to the lofty, chivalrous and eloquent speeches which we have heard. The League Assembly and Council have declared that the door of conciliation will always remain wide open; the League is the supreme institution of peace. I feel I am speaking for the Committee in saying that the Members of the League assembled in this Committee note the hope expressed by the first delegate of Belgium and give it their full approval.

The Committee took note of the desire expressed by the Belgian delegate.

5. Outstanding Claims: Draft Resolution submitted by the Committee of Eighteen.

The following draft resolution was read:

"The Members of the League of Nations participating in the measures taken in regard to Italy under Article 16 of the Covenant,

Having regard, in particular, to Proposal III, under which they have agreed to prohibit as from November 18th all imports consigned from Italy or her possessions:

I. Consider that the debts now payable by Italy to them, under clearing agreements or any other arrangements, the payment of which becomes impossible by reason of the aforesaid prohibition, will remain valid at their present value notwithstanding any offers of payment in kind that may be made by Italy or any action that might be taken by her against the creditor States;

II. Recognise:

(a) That, on the discontinuance of the measures taken in regard to Italy under Article 16 of the Covenant, they should support one another in order to ensure that Italy discharges her obligations to the creditor States as she should have done if she had not incurred the application of Article 16 of the Covenant;

(b) Furthermore, that, if in the meantime particularly serious losses are sustained by certain States owing to the suspension by Italy of the payment of the aforesaid debts, the mutual support provided for by paragraph 3 of Article 16 will be specially given in order to make good such losses by all appropriate measures.

The Committee on Mutual Support will draw up a list of the debts referred to in paragraph I above and will examine the measures contemplated in paragraph II (b) above."

M. GARCÍA OLIDINI (Chile) said that the Chilian delegation would vote for the resolution with the same reservations as those it had entered on the previous vote.

The resolution was adopted.

6. Arms Embargo: Report by the Legal Sub-Committee on Replies from Governments to Proposal I.

The Committee took note of the following report:¹

"Classification of the Governments' Replies regarding Proposal I.

The Legal Sub-Committee has examined the replies received from the Governments of the Members of the League in regard to Proposal I.

There are fifty-two replies.

¹ Document No.: Co-ordination Committee/89.
"The replies show that:

1. The measures contemplated by Proposal I are already in force in the following forty-three countries:

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<tr>
<th>Union of South Africa</th>
<th>Finland</th>
<th>Peru</th>
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Of these States, however, Luxemburg and Switzerland have not accepted the part of Proposal I which relates to Ethiopia. Luxemburg bases its attitude upon its policy of neutrality; Switzerland refers to the Hague Convention of 1907 concerning the rights and duties of neutral Powers and persons in war on land (Article 9) and to its neutral status. The Legal Sub-Committee notes that its terms of reference do not invite it to examine the compatibility of this attitude with the obligations of the Covenant.

2. Eight States have declared that they accept the proposal. Some of them have stated that they are about to take the necessary measures to carry out the proposal; others have not added this statement owing, no doubt, to the reason that they are not engaged in the manufacture of or trade in arms and munitions of war. These States are the following:

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3. One State, Paraguay, declares that it does not consider it desirable, at present, having regard to the existing situation in the country, to take the necessary step of securing authority from the Legislature in respect of the proposed measures.”

7. Exception in favour of Contracts fully paid:

The Committee agreed to the proposal of the Committee of Eighteen that, as an exception to Proposal III, contracts for which payment had been made in full by October 19th, 1935, might be executed. ¹

8. Communication of the Co-ordination Committee’s Decision to States not Members of the League of Nations.

The Chairman said that, in accordance with the decision adopted by the Committee on October 10th last, he proposed to communicate the decisions just taken to the States not members of the League. He had already, on the Committee’s behalf, thanked the Governments of the United States of America and Egypt, from which he had received replies. He added that he had been informed by the Luxemburg delegate that his country accepted Proposal V.
COMMITTEE OF EIGHTEEN

FIRST MEETING.

Held on Thursday, October 31st, 1935, at 11 a.m.

Chairman : M. de Vasconcellos (Portugal).

1. Future Procedure.

After a short exchange of views on the procedure to be followed, the Chairman proposed that the Committee should first examine such of the special cases indicated in the replies from Governments as seemed the simplest.

Agreed.

2. Consideration of Special Cases raised in Replies from Governments.

DATE OF THE COMING INTO FORCE OF THE PROPOSED MEASURES.

Mr. Loveday, Secretary of the Co-ordination Committee, proposed to raise the points which occurred to him, without attempting to decide whether they were points of principle or points relatively simple of solution.

At the end of the affirmative reply from the Argentine Republic on Proposals II to V, it was stated that, "as regards financial and economic sanctions, before the Committee meeting on October 31st, we shall communicate the date of entry into force". That raised the question of the date on which the measures would actually be taken. He did not know whether there was any supplementary information available on that point.

M. Ruiz Guinazu (Argentine Republic) had every expectation of receiving his Government's reply during the day. He would therefore soon be in a position to furnish the information desired.

QUESTION OF CONTRACTS IN COURSE OF EXECUTION AND GENERAL QUESTION OF CLEARING AGREEMENTS.

Mr. Loveday, Secretary of the Co-ordination Committee, said the next point was the reply from the Norwegian Government, which raised the question of existing contracts. The same question was raised also by the reply from the Polish Government in connection with certain existing and specific contracts; but the Norwegian Government raised the question of existing contracts as a whole.

Mr. Eden (United Kingdom) did not read the Norwegian answer as Mr. Loveday had read it. The Norwegian answer did not seem to him to raise the whole question of current contracts, but only the question of current contracts where payment had already been made — a very different thing. This latter question might well be examined by the Committee there and then; but the question of all current contracts opened up a very much wider vista.

The Chairman did not see how the question could be discussed in the absence of the Norwegian delegate. He invited the latter to come to the table.

M. Maseng, delegate of Norway, came to the table of the Committee.

Mr. Eden (United Kingdom) said that, if — as seemed to him quite evident — the question raised by the Norwegian Government was simply that of current contracts for goods already paid for, it was a problem which affected everybody, and not merely the Norwegian Government, and might be discussed as such.

M. Maseng (Norway) said there were certain contracts in regard to which the Norwegian Government wished to make a reservation. He had not a list of the contracts in question, but could obtain one without delay, if the Committee so desired.

1 Document No. : Co-ordination Committee/56(a).
2 Document No. : Co-ordination Committee/37(c).
3 Document No. : Co-ordination Committee/13(a).
M. COULONDRE (France) was anxious to hug the question as closely as possible. He asked the Norwegian representative whether the contracts in question concerned goods that had been paid for in full, or goods which had been paid for only in part. The issue arising was different in the two cases, and the solution would be different also. If the contracts related to goods due for early delivery, payment had probably been made in full. If, on the other hand, they related to, say, orders for ships, it was quite possible that they would be paid for in instalments at intervals during the process of construction. It would be interesting therefore to know the nature of the contracts to which the Norwegian representative referred.

M. KOMARNICKI (Poland) thought that the function of the Committee of Eighteen was to discuss general questions. Special cases should be dealt with by a committee of application.

The CHAIRMAN reminded the Polish representative that it had been decided that the Committee of Eighteen itself was to be the committee of application. It was the Committee of Eighteen therefore that would have to consider all special cases.

Mr. EDEN (United Kingdom) did not think the matter was quite so simple as the Polish representative implied. He could not speak for the rest of the Committee, but personally he would not raise any particular objection to fulfilment of contracts where it was only a question of delivery of goods already paid for. It would be an entirely different matter for the Committee to agree to the principle that current contracts should be exempted altogether.

One other point. He did not quite understand whether the expression “Italian goods” referred only to goods coming from Italy, or included goods going to Italy.

M. DE MADARIAGA (Spain) agreed with the United Kingdom delegate that the question under consideration was both delicate and general in character and that it was a question which must be settled first of all, in principle, in the Committee of Eighteen. Subsequently, special cases could be considered in the light of the general principles emerging from the present discussions.

The question raised by the Norwegian delegation was of great importance, not merely in connection with the receipt of Italian goods in return for payments already made, but also from the standpoint of countries which had clearing agreements with Italy. The two cases seemed identical theoretically, but were widely different in practice. He understood that one of the South-American countries not represented on the Committee had a clearing agreement with Italy, as a result of which Italy was indebted to it for goods. That being so, the country in question might be placed in a somewhat difficult position.

It was essential, therefore, that the Committee should not come to a decision lightly. He would venture to suggest — it was merely a suggestion — the following solution. It was possible that the operation of such permanent agreements with Italy — which were not contracts between individuals but comprehensive agreements between countries — might be interrupted at a moment highly unfavourable to the country which was Italy’s partner in the agreement. His solution would be to lay down as a proviso that the operation of such clearing agreements should be resumed when the abnormal situation at present in process of creation came to a close, with the debit and credit positions in the same condition as existed at the moment when the clearing agreements were broken off.

The CHAIRMAN thought the case to which the Spanish delegate had referred was a special and somewhat complicated one, which should he held over.

M. SOUBBOTITCH (Yugoslavia) said his country was in a similar position to that described by M. de Madariaga. Yugoslavia had a clearing agreement with Italy, under which there was a balance in favour of Yugoslavia amounting to about 200 million dinars, or 50 million lire. He thought the time had come to consider cases of that kind; but M. de Madariaga’s solution seemed at first sight somewhat hazardous. The Spanish delegate believed that the only solution was for the clearing agreement to resume operation, when the application of sanctions was discontinued, in the same situation as obtained at the moment of its interruption. What was to be understood by the word “resume”? The lira might depreciate. If, supposing at the moment of liquidation it was found that Italy owed 50 million lire, it was decided that Yugoslavia could buy goods worth 50 million lire in Italy, that would not be a very satisfactory solution for Yugoslavia. On the other hand, an arrangement under which the 50 million lire were taken to mean 50 million lire at the present rate of exchange might be examined.

He reserved the right to go into the matter in greater detail later.

M. COULONDRE (France) said that, if the question was put to every member of the Committee in succession, it would very soon be apparent that most of the other countries were in the position indicated by M. de Madariaga. It was common knowledge that there had been a substantial deficit on Italy’s trade balance for a considerable time; and it was also known that for some time Italy had been in monetary difficulties. The result was that she was in debt to a fairly large number of countries — for instance, she owed considerable amounts to France, the United Kingdom and other countries. Consequently, though in some cases it might be a question of clearing agreements in the strict sense of the word and in others merely of arrears of debt with arrangements for paying off those arrears, the case referred to by M. de Madariaga was fairly general in scope.

He drew attention to the importance of the question for the reason that, if it were desired to make an exception for clearing agreements, that exception would have to be made for all countries to which Italy owed money. That was only fair; but that would rob the measure
of almost all its effectiveness for some considerable time. If it was desired to avoid that path, it would be necessary, as M. Soubbotitch had suggested, to study the question very carefully, for it was of great importance to all concerned.

M. Maseng (Norway) said the contracts in course of execution for which payment had been made in advance were contracts in respect of which payment had been made in some cases in full and in others in part.

He had thought the Committee was going to discuss the question from a general standpoint that day; and that was why he was not in a position for the moment to give details of the various contracts.

M. Visoiianu (Roumania) had two observations to make which, to some extent, coincided with those of the French delegate. He agreed that the question was an important one, but did not believe it was as serious as M. Couloudre had suggested.

Couloudre had drawn a distinction — an important one — between contracts for the delivery of goods that had been paid for in full and contracts on which part-payment had been made. If, when the question were investigated in greater detail, the Committee accepted the principle of that distinction, and decided that contracts on which payment had been made in full might be carried out, it would be open to consider the reverse situation and discuss the relations existing between certain countries and Italy, more especially the relations existing under clearing arrangements. If the situation of such countries was treated on the same footing as the situation of countries which had concluded contracts with Italy and made payment in full, he did not see how that could correspond with any general measures that might be taken. If Italy was allowed to pay in kind the debts she had contracted under clearing arrangements, she would not be receiving foreign exchange; on the contrary, she would be incurring a burden.

The question called for special consideration; and, on the basis always of the distinction drawn by M. Couloudre, the Committee might do well to pay some attention to the converse situation to that described by the French delegate — namely, the position of countries which were due to receive goods from Italy. If it was decided that contracts on which payment had been made in full might be carried out — and that proposal seemed to him acceptable at first sight — the position of countries having clearing agreements with Italy with a balance in their favour should be treated on the same footing.

M. Westman (Sweden) gathered it was not the Chairman's intention that the Committee should go into the question in detail. The problem of clearing agreements would play an important part in Sweden's case also; but he thought it was a problem that ought to be attacked on general lines. While there were some countries to which Italy was already indebted, there were others which had contracts in course of execution and, since deliveries to Italy would have to be continued under those contracts, there was a danger that, unless something was done, the situation might turn to the disadvantage of the States under obligation to carry out those contracts. In other words, there was a danger that sanctions might operate, not against Italy, but against those States.

Mr. Eden (United Kingdom) expressed some concern at the turn the discussion was taking. The Committee had begun by discussing current contracts, and he thought that, on that matter, it might come to a decision of principle — i.e., a decision to the effect that contracts on which payment had already been made should be fulfilled, and contracts on which payment in full had not been made should not be fulfilled. To enter into all the eventualities of clearing arrangements at the moment was to raise a very different issue, and an issue which there was no need to discuss before taking a decision in the matter of the date. He was very largely in agreement with the remarks made by the French delegate, but suggested that the Committee should deal with current contracts for the moment, and, when that matter had been settled, consider whether there were any other small points which could be dealt with before they became absorbed in the wider issues.

M. Komarnicki (Poland) thought the Chairman's ruling that, for the moment, the Committee should only examine such of the cases raised by the Governments' replies as were not complicated was wise. He assumed that countries which had made reservations would be able to express their views on that matter in very general terms.

When the question was under discussion in the Sub-Committee on Economic Measures, his country had stated the difficulties which would be encountered owing to the existence of certain specific contracts, the non-fulfilment of which would operate to the detriment of Poland's special interests and not to the disadvantage of Italy. The Polish Government had carefully considered the objections put forward and had substantially reduced the scope of its reservations. Its objections were not in respect of all current contracts. As a result of careful consideration of the contracts which admitted, if need be, of cancellation, it had concluded that there were, to be precise, two contracts the execution of which was absolutely vital to Poland. He proposed to refer briefly to those two contracts without going into technical details.

The first contract was for the construction of a ship, forty per cent of the value of which had already been paid. The question of foreign exchange did not arise, since payment for the ship was being made in coal, so that any apprehensions which might be felt regarding the accretion of foreign exchange to Italy were groundless.
The second contract was for the supply of parts for motor-cars. More accurately speaking, this was a portion of a contract under which certain parts of Italian motor-cars were made in Polish factories. That particular manufacture was making such rapid progress that, in a short time, Poland would be completely independent of Italian manufacturers. For the moment, however, she was obliged to import from Italy something like one-eighth part of the motor-cars in question. This contract, too, provided for payment partly in coal and partly in foodstuffs, so that again the question of foreign exchange did not arise.

The Committee would appreciate that the Polish attitude in this matter was not concerned with principle. It was simply a question of two specific contracts, the non-fulfilment of which would operate, not against Italy, but against vital interests of Poland. He considered, therefore, that the reservations which his country had thought it necessary to make were perfectly legitimate and quite compatible with the conception of collective action.

M. COULONDRE (France) said the exchange of views which had just taken place pointed to the existence of three categories of current contracts — viz.:

1. Current contracts in respect of which no payment had been made;
2. Current contracts in respect of which total payment had been made;
3. Current contracts in respect of which part-payments had been made.

A definite decision had been taken with regard to the first category. Current contracts in respect of which no payment had been made were not to hold good. It was at the same time understood that special cases as they arose should be examined by the Committee, and, in that connection, the cases to which the Polish delegate had referred had been duly noted.

As regarded the second category — viz., current contracts in respect of which total payment had been made — the United Kingdom delegate proposed that, in derogation from the general rule, those contracts should be carried out. M. Coulondre shared that view and supported Mr. Eden's proposal.

In the case of contracts in respect of which part-payments had been made, he felt it was difficult to pronounce upon the principle. It was, in fact, a question of individual cases, and he thought the Committee should decide that each individual case should be examined separately.

The Chairman proposed that the Committee should confine itself to the question of contracts fully paid for. He noted that the United Kingdom and French representatives proposed that the measures contemplated should not apply to such contracts. The question would probably be solved fairly quickly.

Mr. EDEN (United Kingdom) presumed the decision to be taken would be a decision relating to Proposal III, paragraph (3). 1

Mr. TE WATER (South Africa) agreed very largely with the French delegate, as also with the suggestions of the Chairman and the United Kingdom delegate to take an immediate decision under paragraph (3) of Proposal III in the particular case of contracts where payment had already been made. The Committee would then be able to record that something had been done that morning. He saw no difficulty in the way of this particular proposal, and he thought the Norwegian Government's reservation on this point could be accepted by the Committee immediately. With regard to the second point raised by the Norwegian Government in regard to clearing agreements, he agreed with other speakers that the question was one of peculiar difficulty which required to be examined by experts.

M. DE MADARIAGA (Spain) was in full agreement with M. Coulondre's analysis of the question. If he ventured to widen the discussion a little, it was in order to clear up the question of procedure.

What was the Committee about to do? It was about to take decisions interpreting previous decisions, which last were simply in the nature of proposals to Governments. But its interpretative decisions would also be proposals to Governments. It was important not to give occasion for any confusion in the minds of the Governments to which all these documents would be sent. The Committee must beware of over-whelming the Governments with an avalanche of interpretations. He agreed upon the necessity of taking a definite decision at once with regard to contracts for which full payment had been made and contracts for which no payment had been made, but he thought the communication of both those decisions to the Governments should be held over until the Committee was ready to transmit an interpretation of the whole of the questions at present under discussion. The questions at present under discussion might be classified as follows:

1. Contracts. — The Committee would tell the Governments that contracts for which full payment had been made were to be allowed to stand, that contracts for which no payment had been made were to be suspended altogether, and that the Governments were under a moral obligation — obviously the Committee had no power to take a decision having legal force — to submit all contracts for which part-payment had been made to a committee to be set up at Geneva.

1 Document No.: Co-ordination Committee/40, page 7.

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2. Clearing Agreements. — The question of contracts must not be confused with that of clearing agreements, since a solution of the problem in the case of the former would be formed more quickly than in the case of the second, and that being so it must not be held up. Spain was not interested in the question of clearing agreements, as she had no such agreement with Italy; but the problem was none the less of considerable importance. It must be studied in order to arrive at a second paragraph of the interpretative proposal — i.e., a paragraph relating to clearing agreements — as rapidly as possible.

3. Situation of Countries having a Debit or Credit Balance. — What was the principle by which the Committee should be guided in its work? The whole point was to deprive Italy of foreign exchange. To prohibit the importation of Italian goods was of use only in so far as the counterpart was not in the form of foreign exchange. He might observe incidentally in that connection that the line taken up by the delegate of Poland — important as it no doubt was from the Polish standpoint — was not very satisfactory from the point of view of sanctions. The proposed transactions, when all was said and done, represented an exchange of certain goods for other goods; but the exchange was slightly in favour of Italy as far as the Polish standpoint was concerned. Under the arrangement of barter proposed, the goods exported from Italy would merely represent so many Devisen not leaving Italy.

The CHAIRMAN pointed out that the Co-ordination Committee had already taken a decision concerning contracts for which no payment had been made. It was not possible to go back on that decision. What the Committee had now to discuss was contracts for which full payment had been made and contracts for which part-payment had been made.

M. Cemal HEsNCÜ (Turkey) directed the Committee's attention to one particular aspect of the problem under discussion. Turkey also had a clearing agreement with Italy, and there was an active trade balance for a fairly considerable amount in favour of Turkey. Turkey had also placed orders in Italy for ships at an earlier date, and the ships had been duly delivered. She had concluded a contract of payment for the ships, under which she was still continuing to make regular currency payments to Italy quite independently of the clearing agreement. Up to the present, the balance in Turkey's favour accruing under the clearing agreement had been used for a part of those payments. Italy had also agreed to take certain goods, quite apart from the compensation arrangements. Turkey now stood not only to lose the advantage of her active balance under the clearing agreement; she would also have to continue to pay Italy in foreign exchange for the vessels which had been delivered to her.

He would not stress the point, but he felt all these questions should be dealt with either by a technical committee or by the standing Committee of Eighteen.

M. VISOIANU (Roumania) had no objection to discussing the questions which had been raised concerning contracts on the one hand and clearing agreements on the other, but would prefer a discussion bearing directly on the question at issue.

He wished, however, to make an observation concerning the scope of his previous statement. The remarks of the Swedish delegate offered him an opportunity to bring out exactly the point which he himself desired to avoid. In indicating the consequences of the situation provided for under the clearing agreements between Italy and certain other countries, his sole purpose had been to reserve the rights of countries which had claims on Italy. To take a concrete case, supposing that clearing agreements were interrupted now under a decision of the Committee or as the inevitable consequence of bringing sanctions into operation, Roumania would have a claim on Italy for goods already delivered by Roumania. He was not asking for any complicated interpretation to enable Roumania to increase her claim on Italy; but he wished Roumania to retain the right, at all events in theory, to enforce execution of her claim. In other words, he did not want the claim she now had to be suspended or cancelled as the unforeseen consequence of a decision taken in regard to sanctions, where that claim had arisen in respect of goods delivered prior to such a decision. The question whether Italy would or would not meet her obligations was quite a different matter.

Mr. EDEN (United Kingdom) took leave to revert to the question of current contracts. The other problem raised was a very big one on which there was no prospect of a decision that morning. On that wider issue he would merely remark that, if Italy was to be allowed to continue to export to all those countries to which she was a debtor, the value of the Committee's proposal in this connection would be precisely nil.

Having said that much, he begged to express his complete concurrence, in the matter of current contracts, with the summing-up of the Spanish representative. He had only two small suggestions to make. In the first place, he presumed the rule was to be that, where current contracts had been partly paid for, their fate would be the same as that of current contracts where no payment had been made, subject always to exceptions, e.g., in the case of Poland fixed by the second place, to be discussed by the Committee. In the second place, if this was to be the Committee's procedure, it was obviously necessary to fix a date, or it would be possible to go on making contracts indefinitely. He suggested that the date might very well be that day, October 31st.

The CHAIRMAN thought the Committee was ready to take a decision on the question of contracts for which full payment had been made. He understood that all the members of the Committee were agreed that such contracts should be excluded from the provisions of Proposal III.
M. de Madariaga (Spain) quoted the wording of paragraph (3) of Proposal III ("Goods the subject of existing contracts will not be excepted from the prohibition"), from which it followed that the Co-ordination Committee had already taken a decision on the question of current contracts. As to the interpretation of that provision, he thought — subject always to the special cases to be examined by the Sub-Committee on Economic Measures or by the Committee of Eighteen — that the Committee might decide at once that contracts for which part payment had been made should come under the provisions of paragraph (3) of Proposal III. As to contracts for which full payment had been made, he proposed it should be specified that such contracts might be executed, provided full payment had been made by October 19th, 1935.

The Chairman suggested that the Committee should take a decision at once on the question of contracts for which full payment had been made, subject to the provision with regard to the date proposed by M. de Madariaga. M. Soubottitch (Yugoslavia) asked whether it was clearly understood that the decision to be taken by the Committee would not in any way affect the discussion of the question of clearing agreements.

The Chairman replied in the affirmative.

**Fully-paid Contracts: Conclusion of the Committee of Eighteen.**

The Chairman invited the Committee to state its opinion on the question of contracts for which full payment had been made. If no objection was raised, he would consider that those contracts in the Committee's opinion were entitled to be executed, provided payment had been made in full by October 19th, 1935.

*This was agreed.*

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**SECOND MEETING.**

*Held on Thursday, October 31st, 1935, at 3.30 p.m.*

Chairman: M. de Vasconcellos (Portugal).

3. Replies to Proposals I and II: Reference to Competent Sub-Committees.

On the proposal of the Chairman, the replies to Proposal I (Arms Embargo) and Proposal II (Financial Measures) were referred to the Legal Sub-Committee and the Sub-Committee for Financial Measures respectively for examination as to whether they were in conformity with those proposals.

4. Consideration of Special Cases raised in Replies from Governments (continuation).

Contracts in Course of Execution.

The Chairman announced that he had received from the Siamese delegate a letter regarding Proposal III, which mentioned certain difficulties in connection with an existing contract. The question was similar to that raised by the Polish delegate.

Luang Bhadravadi, delegate of Siam, came to the table of the Committee.

Mr. Eden (United Kingdom) suggested that the Committee might take a decision on the following lines:

"Those exceptional cases of current contracts mentioned in the replies of Governments for which a partial payment was made before October 19th will be referred for consideration to the . . . Committee."

*This proposal was adopted, the special cases in question to be referred to the Sub-Committee on Economic Measures.*

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1 Document No.: Committee of Co-ordination/40, pages 5 and 6.
2 Document No.: Co-ordination Committee/51(b).
3 See pages 66, 69 and 73.
The CHAIRMAN said that the cases which would be considered would be those of Poland and Siam.

At the request of their delegates, the Union of Soviet Socialist Republics and Norway were added to the list.

M. COULONDRE (France) asked whether it was understood that the list of countries whose partly paid contracts would be considered was not exhaustive and was only given by way of example.

The CHAIRMAN replied in the affirmative.

Mr. EDEN (United Kingdom) had hoped, perhaps in vain, that the cases which the Committee would have to consider would be limited to those which had already been put forward in writing by Governments. If the current contracts of every country were to be examined, the Sub-Committee would have a very heavy task.

The CHAIRMAN said that the cases examined would be those which the Governments had mentioned in their replies. Nevertheless, certain cases had been raised in the replies of some Governments which were not represented on the Committee of Eighteen. Those Governments would be invited to send a representative to the Committee of Eighteen for the discussion of their individual cases.

M. POTEMKINE (Union of Soviet Socialist Republics) was not in possession of the exact text of his Government's reply to the Co-ordination Committee's question; but he had just received special instructions to make a reservation regarding certain contracts between the Soviet Union and Italy, which would have to be examined under the same conditions as those for which a request had been made by Poland, for example.

Mr. EDEN (United Kingdom) pointed out that the reply from the Government of the Soviet Union contained no reference whatever to any contract. If every country represented was going to make reservations regarding its current contracts, the work would be overwhelming. He had understood that those countries which had already stated in writing their position concerning current contracts would be the special cases that were to be considered; but if consideration were to be given to cases which were not special at all and which had simply been thought of by Governments since they replied, the Sub-Committee would be faced with an almost impossible task.

M. POTEMKINE (Union of Soviet Socialist Republics) recalled that in the Sub-Committee on Economic Measures the first Soviet delegate had made an express reservation in connection with the Polish case; if the Committee thought fit to give special consideration to that case, M. Litvinoff's reservation held good. If the Committee so wished, M. Potemkine would immediately ask his Government to confirm that reservation by telegram, so as to complete the reply already given by the Soviet Union.

The CHAIRMAN remembered the remark by M. Litvinoff to which M. Potemkine was alluding, and he therefore thought that the Committee should treat the case of the Soviet Union on the same footing as those of the countries which had made reservations in writing. The States which had submitted special cases were therefore Chile, Norway, Poland, Siam and the Soviet Union.

M. BOURQUIN (Belgium) said that in acceding to the proposals Belgium had made no reservation, but her attitude would depend on the solution adopted for the special cases referred to. He made this declaration because it seemed, according to the statements that had been made, that the consideration of special cases would be confined to the few individual cases just mentioned. If the solution of those individual cases was such as to make a breach in the principles laid down by the Committee, he would be obliged to reserve his Government's attitude upon special cases of the same nature which might concern Belgium.

The CHAIRMAN said that this reservation was duly noted.

M. GOMEZ (Mexico) and M. COULONDRE (France), on behalf of their countries, associated themselves with M. Bourquin's reservation.

Mr. RIDDELL (Canada) said that his delegation associated itself with the same reservation. It seemed most unfortunate that there should be any reservations at all, or that any exceptions should be made. He hoped that, after the examination had taken place, the Governments which had already made reservations would try to reconsider the situation. If there were going to be reservations, other Governments would have to review their position.

It was decided to refer to the Sub-Committee on Economic Measures the special cases raised by Norway, Poland, Siam and the Union of Soviet Socialist Republics.
OTHER SPECIAL CASES.

The CHAIRMAN said that there still remained to examine the case of Chile.

M. de Porto Seguro, delegate of Chile, came to the table of the Committee.

M. DE PORTO SEGURO (Chile) said that Chile had made a general reservation and that therefore no special case was involved.

The CHAIRMAN said that the text of Chile's reservation would be circulated to the members of the Committee, which would then take a decision.

M. DE PORTO SEGURO (Chile) said that a reply had been asked for from his Government directly; he would therefore have to await that reply before he could give any details.

Mr. LOVEDAY, Secretary of the Co-ordination Committee, while unwilling to assume the responsibility of deciding which of the points raised in the replies to the proposals were important or unimportant, suggested that it might be convenient to circulate all the replies which seemed to him to raise points which the Committee would want to consider.

If that was agreed, the next reply to which he would draw attention was that of the Swiss Government, in connection with which there were two points, the first referring to Proposal II. The reply stated that the Federal Council accepted Proposal II "subject to a more specific definition of certain methods of application". He was not quite certain if that "more specific definition" meant a definition by the Committee of Eighteen or by the Swiss Government.

The second point arising in connection with the Swiss reply was in relation to Proposal III, and he would suggest that the Committee might like to consider that in connection with the Chilian Government's reply.

The other replies which he thought the Committee was likely to desire to examine were those from Venezuela and from Panama.

M. MOTTA (Switzerland), in reply to one of the points raised by Mr. Loveday, said that the Swiss Government had stated that it accepted the proposals, but made certain indispensable reservations with regard to certain methods of application. The Federal Council was at present drafting its decree and would willingly communicate it to the Co-ordination Committee. If the latter considered that it called for any comments, the Swiss delegation would examine them. He wished, however, to make a declaration of a general order, in which he thought all the delegations shared. The Committee had met to work in common and to attune the efforts being undertaken. The Swiss Government would take account as far as possible of all the wishes which might be expressed and all the suggestions which might be submitted. Nevertheless, it should not be forgotten that the Co-ordination Committee was in the nature of a Government conference and that the last word always rested with the Governments. Consequently, he could not accept offhand the Co-ordination Committee's proposals concerning methods of application, since these were of very great importance to the Swiss Confederation, owing to its special position. The Swiss delegation would furnish all the necessary explanations; it would state the reasons for its attitude, but after saying that, in principle, it fully accepted the proposal regarding financial sanctions, it must reserve to the Federal Council the right to examine certain individual cases of application, on which, however, explanations could be supplied to the Co-ordination Committee.

The CHAIRMAN thought the Swiss representative had slightly misunderstood the Secretary of the Co-ordination Committee. It was not Mr. Loveday's intention that there should be any restriction upon the rights of any Government. He had simply asked for a few explanations regarding the sentence contained in the Federal Government's reply to the effect that the Federal Council accepted Proposal II, subject to the definition of certain methods of application. Mr. Loveday wanted to know whether that definition was to be given by the Federal Government or by the Committee of Eighteen. According to what M. Motta had said, there seemed to be no longer any doubt; the definition would be given by the Federal Council.

The Chairman proposed that the second point raised by the Federal Government should be discussed at the same time as the question affecting Chile — viz., when the letter from the Chilian representative had been circulated.

Mr. LOVEDAY, Secretary of the Co-ordination Committee, pointed out that the Venezuelan reply consisted of the text of a law which referred to other laws. In most other cases, the Government had replied specifically to the question and had said that it accepted or did not accept the proposal. In the Venezuelan case, there was obviously an acceptance of certain

1 Document No.: Co-ordination Committee/58.
2 Document No.: Co-ordination Committee/47(a).
3 Document No.: Co-ordination Committee/64.
4 Document No.: Co-ordination Committee/65.
proposals, because they had already been put in the form of a law; but in its ignorance of the legislation existing in Venezuela, it was, he thought, impossible for the Committee to appreciate what that law was, or to consider the reply fruitfully in the absence of the Venezuelan delegate.

The CHAIRMAN thought that the representative of Venezuela was not at Geneva. He would get into touch with him by telephone, in order to inform him of the doubts raised by his last letter.

After observing that the delegate of Panama was not present, the Chairman proposed that the discussion of that country's reply should take place immediately, it being understood, however, that the representative of Panama might be called upon in case of need.

Agreed.

The CHAIRMAN observed that, as regarded Proposal I, Panama's reply was completely satisfactory. On the other hand, the expression “according to the course of events” in paragraph B was somewhat vague.

He asked whether the Committee wished to take note of Panama's reply.

M. SOUBBOTITCH (Yugoslavia) raised a question which, he thought, was in the minds of all his colleagues. He considered that the Committee could not take note of the interpretation given in the last paragraph of Panama's reply concerning the compatibility of the League Covenant with undertakings which might have been entered into in contradiction with the Covenant.

M. DE MADARIAGA (Spain) thought that the scruples felt by the Yugoslav representative, scruples which all the members might well share, might be allayed by taking note of Panama's reply, and at the same time referring to Article 20 of the Covenant, which he read.

The CHAIRMAN proposed, in accordance with M. de Madariaga's suggestion, that note should be taken of Panama's reply, and that, in the formula employed for the purpose, mention should be made of Article 20 of the Covenant.

M. VISOIANU (Roumania) understood that the reference to Article 20 of the Covenant would constitute a kind of reservation in regard to the last part of Panama's reply, and was afraid that it might be inferred that the rest of that reply had simply been accepted.

The CHAIRMAN pointed out that he himself had commented on the other parts of the reply from Panama. It was in the light of his comments that note had been taken of those other parts. In view, however, of the turn that the discussion had taken, he thought it would not be wise to continue it without a representative of Panama on the Committee. The representative of Panama would therefore be invited to attend the next meeting, in order that he might make a statement and reply to the observations which had been offered.

Consideration of the question raised in the replies from Switzerland and Chile was deferred pending the circulation of the text of the Chilian reply.

5. Outstanding Claims.

The CHAIRMAN announced that the Roumanian delegation asked that the Committee might at once discuss the question that delegation had raised at the previous meeting regarding the case of countries with a credit balance against Italy.

M. VISOIANU (Roumania) explained that he simply asked the Committee to take a general decision on the question within the limits he had set to it, and that he did not intend to raise the question of clearings as a whole, but only a special point which had already been dealt with by the Committee. In his opinion, indeed, the previous decisions provided a sufficient basis for a solution.

The question took the following form. Certain States, as the outcome of clearing operations carried out previously, were now creditors of Italy. If it were decided to-day to put into force for a specific date economic sanctions relating to imports from Italy, all clearing operations would then be stopped, since the States in question would be unable to accept Italian goods. Roumania had already made it quite clear that she was resolved to apply economic sanctions without faltering. But, M. Visoianu pointed out, there were two different succeeding systems. First, there was the system whereby commercial exchanges between Italy and other countries took place on the basis of clearing or other agreements, and, as soon as sanctions came into force, the position would change entirely, because the clearing operations would probably cease. At that moment, by reason of the Committee's decisions, Roumania, for example, would be able to deliver goods to Italy but would not be authorised to receive them. She would then have to supply goods for cash. If that point was accepted, he asked that his country, for example, should retain such rights as it might possess to require payment of its claim upon Italy, since, from a practical point of view, such payment would not prevent the application of the sanctions system. He would have preferred not to press the point, but, to make himself clear, he would explain the question in a little more detail.

1 Document No.: Co-ordination Committee/65.
2 See pages 16 et seq.
There was no question of lightening the sanctions or modifying them, as certain delegates had seemed to suppose at the previous meeting. On the contrary, these would be an additional burden on the debtor country, because if the latter was prepared to pay its debt to Roumania on condition that, in one form or another, the previous clearing operations were continued, Roumania would reply in the negative, in view of the prohibition on transactions of that kind decreed by the League of Nations. From the practical point of view, the Roumanian suggestion did not confer any advantage upon the debtor country, since it would not obtain any foreign exchange and would not have any opportunity of obtaining Roumanian goods in exchange for its own goods. On the contrary, M. Visoianu repeated, there would again be an additional burden upon the debtor country, since it would have to supply goods without any present counterpart. It might be objected that, in practice, the system would have no great prospect of success. He was under no illusion on that subject, but he wished to preserve Roumania’s right intact.

He would like, further, to lay the juridical aspect of the question before the Committee. Suppose the Committee decided that, when sanctions came into force, Roumania was forbidden to accept Italian goods in payment of debts that had fallen due, and that Italy offered Roumania the alternative of settling the debt in goods — an offer which the Roumanian Government would be obliged to refuse — the sanctions would recoil against Roumania. In point of fact, Roumania would be deprived of goods which she might receive without disbursing any money, since, in fact, they were already paid for. He thought therefore that that position should be assimilated to that of contracts in respect of which payment had already been made. Moreover, the question involved a measure for the preservation of Roumania’s claim. If Roumania had the right to ask for payment of the debt due to her, she would summon the debtor to pay, and if the latter refused, its failure to execute its obligation would be its own fault. Consequently, in theory, Roumania retained her right intact. On the other hand, supposing Roumania were forbidden to consent to the discharge of the debt, it would be her fault that the debtor could not discharge his liability. Consequently, Roumania might have to bear the brunt of all kinds of economic difficulties, and other vicissitudes that might arise in the meantime.

The Chairman noted that the Roumanian representative reserved his country’s right to be paid an earlier debt by receiving Italian goods, if, of course, the Italian Government would deliver them, for from the practical point of view the question would probably not arise. It was for the Committee to decide whether to consider the case.

M. COULONDRE (France) did not wish to deal with the merits of the case until the Committee had decided to do so. Nevertheless, he would like to point out that the question raised by the Roumanian representative, while bearing on a special aspect of the clearing system, went beyond that system. In point of fact, besides the credit and debit balances resulting from the clearing agreements, there were similar situations which were the normal consequence of the commercial relations of certain countries with Italy and which did not involve any clearing transactions. Many countries had sold to Italy goods which had not been paid for owing to the monetary difficulties of that country. In the case of France, that credit balance was very large; it amounted to some 100 millions. Clearly, Italy would not at present be in a position, and moreover she would not agree, to settle those commercial arrears in foreign exchange. The only way in which she could do so would be to supply goods. Consequently, M. Coulondre thought that if it were decided that the liquidation of existing clearing agreements should be carried on until completion, the countries which had commercial claims on Italy would also have to be given an opportunity of settling them by imports of Italian goods. That was why he made the foregoing preliminary observation, in order that the Committee might be able to realise the magnitude of the question raised by the Roumanian representative.

M. DE MADARIAGA (Spain) thought it would be possible to circumscribe the discussion. If it were a question of a definite case of commercial debts of a private character, free from the wider complications that arose, for example, in the case of a large country like France — whose debts and credits were not purely commercial in character — and if, on the other hand, the Roumanian delegate could give figures showing the Committee that the arrangement would last for only a very limited period, and would apply to an equally limited volume of goods, the Spanish delegate, subject to the general opinion of the Committee, would see no difficulty in having the case considered, as also any other cases that might arise, provided they were infrequent and were concrete in character.

In any event, Spain was entirely disinterested in the question.

The Chairman considered that it was a technical question and should perhaps be referred to a sub-committee.
M. VISOIANU (Roumania) thought it was essential to settle the question of principle first and to have it settled by the Committee itself. The Roumanian proposal was quite different from the Chilian. Roumania was not asking for clearing operations to continue; she only asked to be able to settle with Italy her accounts to date.

M. COULONDRE (France) hardly need say that his country would examine most sympathetically the case mentioned by the Roumanian delegate. A question of method was, however, involved, which needed to be emphasised. If a question of principle was at stake, as the Roumanian delegate had said, it could not be settled on the basis of an individual case; the question must be considered as a whole. The importance of that issue could be gauged by the fact that the four or five countries whose representatives were sitting near M. Coulondre had claims on Italy amounting to over 250 millions. If, on the contrary, an individual case was involved, M. de Madariaga's proposal quite met the situation, and the question should be submitted to a technical sub-committee.

M. VAN RAPPARD (Netherlands) said that his country was in the same position as Roumania. Its credit balance on Italy represented about 4,000,000 florins. Roumania's case could therefore not be regarded as an isolated one. At the same time, he agreed with M. Visoianu that the question was very similar to the one settled that morning, when the Committee had decided that fully-paid contracts should entitle countries which had concluded them to continue to receive the goods which Italy had sent to them.

M. SOUBBOTITCH (Yugoslavia) supported the Roumanian delegate's proposal. The Committee should shoulder its responsibilities and take a decision of principle. The problem was of particular interest to Yugoslavia, whose exporters had a holding of fifty million livre with the Italian Foreign Exchange Institute. That was a balance on which Yugoslav traders must be able to draw in order to procure goods.

He wished to be sure that, if the question was studied, it would be examined with the promptitude which the situation demanded.

M. WESTMAN (Sweden) said that his country was in the same situation as Roumania. He had not intended to raise the question, but if a sub-committee considered Roumania's case, he would reserve the right to submit Sweden's case too. He would not, however, make any proposal.

Mr. EDEN (United Kingdom) thought that there would be tremendous technical difficulties if the Committee were to try to meet the position of Roumania, or the position of all the participating countries, in the matter. For example, he understood that some 22,000,000 were due to the United Kingdom. Suppose, for the sake of argument, that the United Kingdom were willing to take from Italy goods to the value of that amount and receive lemons and chianti. These would be of no use to the people who were to be paid, and the only practical method would be for the State to say that it would take the lemons and the chianti and make the distribution in some way or another.

With regard to the principle, it seemed to him that if the sanctions scheme was to work at all, it would have to be on the basis that once that particular measure came into force no more Italian goods would be received; otherwise, he was afraid that, if commerce continued, it would be virtually impossible to say whether it was being continued in fulfilment of the final stage of a clearing or whether it was due to some further arrangement made subsequently.

The CHAIRMAN thought it difficult to ask a committee to examine a question of principle, unless it was clearly defined. The members of the Committee of Eighteen had expressed divergent opinions on the question of principle itself.

M. VISOIANU (Roumania) said that, as the Chairman had emphasised, it was upon the principle that there was a difference of opinion. The situation needed to be cleared up. In order to assist matters, he would like to ask the French representative in what way his, M. Visoianu's, contention could facilitate the debtor's position. In what way could it constitute an obstacle to the application and regular and complete operation of the sanctions system?

Needless to say, the fear expressed by the United Kingdom delegate did not enter his mind. There was no question of his country's wishing to evade, by devious roads, the strict application of sanctions.

The CHAIRMAN did not think that the Committee was at present in a position to pronounce on the question of principle raised by the Roumanian delegate. In his opinion, it needed preliminary study.

M. COULONDRE (France) hesitated to answer the question put by the Roumanian delegate before the Committee had pronounced on the substance of the problem. For the moment, however, he could say that he was not quite clear whether the liquidation of clearing agreements and of claims subject or not subject to clearing arrangements would or would not be likely to involve a prolongation of commercial exchanges between Italy and other countries. He therefore hoped that that point might be thoroughly discussed and cleared up before the Committee pronounced on the question.

M. VISOIANU (Roumania) thanked M. Coulondre for his explanation of certain of the issues involved.

He agreed that the question he had raised should be referred for study to the Sub-Committee.
on Economic Measures, but he would like to know when the Sub-Committee would deal with it, for, in order to avoid any possibility of confusion in the application of sanctions, and to make quite clear the position of each of the countries which in all good faith were resolved to apply sanctions in accordance with the Covenant, all these questions of principle must be cleared up before a final decision was taken.

The Chairman said he would bear in mind the Roumanian delegate's wish and would endeavour to hold a meeting of the Sub-Committee as soon as possible.

M. de Madariaga (Spain) agreed in one way with Mr. Eden that if for any reason it should be necessary to contemplate allowing the continued admission of Italian goods, the general measure which had been adopted would lose some of its efficacy. Consequently, that eventuality should be avoided by all possible means.

At the same time, he had been much impressed by one of the Roumanian delegate's arguments. If a country which was a creditor of Italy refused, by application of the sanctions, to accept a payment in goods, the debtor country might ipso facto regard itself as discharged from its debt. The Roumanian delegate was therefore right in asking that some action should be taken to preserve the creditor country's rights. That might be done in two ways. The first was to authorise the creditor to continue to receive Italian goods; but M. de Madariaga did not believe any more than did M. Visoianu in the practical effectiveness of that solution.

The second solution was to act on the lines contemplated in the case of countries bound to Italy by commercial treaties. On that point there had been a decision by the Legal Sub-Committee, which, he thought, had been ratified by the Co-ordination Committee, so that there was a ruling on the subject. If the Co-ordination Committee, which was a conference of sovereign States, gave its collective backing to a declaration by its Legal Sub-Committee to the effect that those countries which refused to admit Italian goods by application of the sanctions would retain their right to their claims on Italy, M. Visoianu's point would be met to a certain extent.

Personally, M. de Madariaga would like to go even a little further, if political practice permitted. He would like the conference of sovereign States — in this case, the Co-ordination Committee — to say that at the end of the exceptional regime which the League was obliged to introduce, normal relations would be regarded as restored when the debtor country had settled such outstanding debts, to the extent to which that was possible. He did not know whether that procedure would have any practical results for the creditor countries. In any case, he wished to emphasise the advantages which might be offered by the solemn adoption by the Co-ordination Committee — as a conference of sovereign States — of the definition given by the Legal Sub-Committee.

M. Visoianu (Roumania) did not see what question could be put to the Legal Sub-Committee. In any case, he would like to know at least what he would have to explain either to the Legal Sub-Committee or to the Sub-Committee on Economic Measures. Moreover, however complicated the procedure might be, he would be glad if a decision could be taken before the date of the entry into force of sanctions was discussed.

The Chairman said the Spanish representative had stated the legal aspect of the question very clearly. The point was for Roumania to preserve her claim until all these questions had formed the subject of a final settlement. The Legal Sub-Committee was therefore the proper body to pronounce on the matter.

M. Soubbotitch (Yugoslavia) thought the Spanish delegate had suggested a solution which, if accepted, might be referred to the Legal Sub-Committee for study; but the stage did not yet seem to have been reached at which it could be said that that was the only solution to be applied. True, the solution outlined by M. de Madariaga was very interesting, but it was perhaps not the only possible one, and M. Soubbotitch therefore considered that the time had not yet come to refer the matter to the Legal Sub-Committee alone. It might be better to refer the matter as a whole to an ad hoc sub-committee, either the Sub-Committee on Economic Measures or the Sub-Committee on Mutual Support or any other sub-committee which might be appointed. It would then be seen what solutions could be considered and the Legal Sub-Committee might, if necessary, be consulted, in order to find a satisfactory legal formula.

The Chairman was pleased to observe that the Yugoslav representative agreed to refer the question to a sub-committee. The first idea had been to send it to the Sub-Committee on Economic Measures when the general question of the exchange of goods between Italy and other countries had been raised. But he had noticed strong opposition in the Committee to that solution. Consequently, there only remained the other solution proposed. If, however, any delegation could suggest a third possibility, the Committee would study it.

Mr. Eden (United Kingdom) said that personally he agreed with the first of M. de Madariaga's suggestions, which seemed to him a perfectly possible and proper solution. The second might also prove workable, but it wanted examination. At the same time, he wished to emphasise the following point, which represented the belief of his Government. Quite apart from the juridical or even the theoretical position, the practical position seemed quite clear. It was that a belligerent would not export goods to any country enforcing sanctions unless it was receiving goods — in other words, unless trade was flowing from one to the other, which it was precisely the object of the sanctions to stop. Therefore, he believed that an exception of the character contemplated by some members would completely wreck the whole scheme.
There was a further point to be remembered, that, if a belligerent could continue to export upon any considerable scale, on whatever pretext, then markets would be retained by such exports; and the discussion of this measure in the Committee of Thirteen had shown that one of its purposes was to make clear to a nation the danger in which it stood of losing its markets. The value of the sanctions would disappear if the Committee were to make this wide exception running into a total of several millions sterling.

M. Visoianu (Roumania), while quite prepared to work with the Legal Sub-Committee, pointed out that none of the objections advanced against his argument during the discussion was of a legal character. They were all practical and economic objections. What could he ask a legal committee? Could he ask whether Roumania had a debt owing to her? That was not in doubt. Whether that debt was a liquid one? That was not open to challenge. Was he to ask whether the debtor was obliged to meet his liabilities arising out of the debt? However that might be, M. Visoianu would not object to the question being referred to the Legal Sub-Committee, on condition that it was put to it in clear terms and that a solution was given before the discussion on the date of the putting into force of the sanctions.

M. de Madariaga (Spain) observed that those who were particularly concerned for the efficacy of the measures contemplated had stated that, in the case mentioned by M. Visoianu, Roumania would not receive the goods arising out of the debt, or, if she did, it would be because the sanctions system had been gravely impaired. If Roumania did receive goods from Italy, it would certainly not be in payment of her claim, because that would not be advantageous to a country which was in a difficult financial position and which had to meet heavy military expenditure, as was at present Italy's case.

The proposal therefore was not practical from the economic point of view unless it was disastrous for the system as a whole. It followed that the Sub-Committee on Economic Measures would not be able to give the Roumanian delegate the satisfaction he desired.

Speaking as an impartial witness and having listened to the arguments put forward, M. de Madariaga had made the suggestion that the Legal Sub-Committee should be asked for an opinion in the case of countries which had commercial treaties with Italy. Why should not the Legal Sub-Committee be asked, not to submit a legal formula for a decision taken by the Co-ordination Committee, but to frame an authoritative opinion which would amount to a legal blank cheque. Thus, when the Co-ordination Committee had given its approval, Governments having a claim against Italy would preserve their claim intact. There would then be a collective signature attesting that Roumania's claim remained intact. The day would come, even if special measures were not taken against that day, when such a signature would acquire a certain degree of solemnity so far as Italy was concerned.

The Roumanian delegate, therefore, would receive satisfaction to the fullest possible extent in the Legal Sub-Committee, whereas he would certainly receive none in the Sub-Committee on Economic Measures.

M. Motta (Switzerland) remarked that all the arguments that had been put forward were of value, since the problem had different aspects. He noted, however, that the Roumanian delegate agreed that the question he had raised should be submitted first and foremost to the Sub-Committee on Economic Measures. From the legal standpoint, the aspect which the question would assume would vary according to the reply given by that Sub-Committee. It should, moreover, be pointed out that replies given by the Economic Sub-Committee differed widely in nature from those given by the Legal Sub-Committee. The replies of the former Sub-Committee, like those of the Committee of Eighteen and the Co-ordination Committee, were equivalent to concrete decisions, whereas the replies of the Legal Sub-Committee were merely opinions without any binding force. Accordingly, he thought it would perhaps be wise to decide that the question raised by the Roumanian delegate should be sent to the Sub-Committee on Economic Measures. When the Committee of Eighteen had received the Sub-Committee's reply, it would consider the desirability of consulting the Legal Sub-Committee. That was an infinitely simpler and speedier procedure.

The Chairman said he would readily accept M. Motta's suggestion.

M. van Rappard (Netherlands) drew the Chairman's attention once again to the fact that, by agreeing at the morning's meeting to the exception for fully-paid contracts in course of execution, the Committee had weakened its position. He wondered therefore whether it was really expedient to revert to that point. He personally considered that the case mentioned by the Roumanian delegate was comparable with that for which an exception had been made at the morning's meeting, with one difference only, that payment had been made in goods instead of in money.

The Chairman did not wish to prolong the discussion, but thought that the case was not the same as that with which the Committee had dealt earlier in the day.

M. Visoianu (Roumania) thanked the Netherlands delegate for his very clear explanation of the Roumanian delegation's own view. He would point out that, in spite of the efforts made by M. de Madariaga and himself to understand each other, they had steadily grown farther apart. M. de Madariaga regarded the problem as already settled, and it was with that idea that he was for submitting it to the Legal Sub-Committee. He maintained that, since the countries placed in the same category as Roumania could no longer accept goods in payment...
of former claims, the jurists should be asked how far those claims were preserved. For M. Visoianu, on the contrary, Roumania's right was intact, but the fundamental issue involved had not been settled.

Before accepting M. Motta's proposal, he would like to repeat that the problem had to be viewed from the economic and not from the legal point of view; it would be ascertained later whether certain legal aspects should be examined with a view to a decision.

However, he agreed to M. Motta's proposal and asked that the Sub-Committee on Economic Measures should consider the question as soon as possible.

M. SOUBBOTITCH (Yugoslavia) could not agree to leave unsettled a question that so closely concerned certain States which were taking part in sanctions. Each member of the Committee must therefore be given an opportunity of realising the real scope of the arguments that had been adduced. Two cases had been presented. On the one hand, Roumania had maintained that her request did not compromise the system contemplated. Yugoslavia shared that view. On the other hand, some members had considered that if that request were acceded to, a breach would be opened in the system. The technical question arose whether, if an exception were allowed to the prohibition of the admission of goods from Italy up to the amount of the credit balance held by the country concerned, the working of the system would be seriously impaired. That technical question could not be solved in a few minutes. M. Visoianu's request that the problem should be submitted next day to the Sub-Committee on Economic Measures was therefore perfectly natural. When the Committee of Eighteen was sufficiently enlightened by the report of the Sub-Committee on Economic Measures, it could take a decision with a full knowledge of the facts.

M. Cemal HÜSNÜ (Turkey) supported M. Motta's proposal, which the Roumanian delegate had accepted.

M. BIBICA-ROSETTI (Greece) fully associated himself with M. Motta's proposal.

M. Motta's proposal was adopted.

M. SOUBBOTITCH (Yugoslavia) took it as understood that the States particularly concerned which were not represented on the Committee of Eighteen would have an opportunity of taking part in the discussion in the Sub-Committee.

THIRD MEETING.

Held on Friday, November 1st, 1935, at 5 p.m.

Chairman: M. DE VASCONCELLOS (Portugal).

6. Consideration of Special Cases raised in Replies from Governments (continuation).

VENEZUELA.

The CHAIRMAN said that the Venezuelan Government's reply was entirely satisfactory.

PANAMA.

M. Galileo Solis, delegate of Panama, came to the table of the Committee.

The CHAIRMAN said that the Minister for Foreign Affairs of Panama had sent the Secretary-General a telegram stating that the delegate of Panama had been given instructions regarding the questions raised in points 1 to 5 of the memorandum of October 14th. The terms of the reply from the Government of Panama had led, at the Committee's previous meeting, to observations by several delegates regarding the application of one of the articles of the Covenant, and he would be glad if the delegate of Panama could dispel the doubts which had been expressed.

M. Solis (Panama) said that the reservations which he had submitted were not reservations by his Government, but had been put forward by himself, subject to a further decision by his Government.

1 See page 52.
2 Document No.: Co-ordination Committee/64(a).
3 Document No.: Co-ordination Committee/65(a).
4 Document No.: Co-ordination Committee/65.
5 See page 22.
The reservations covered two points. In the first place, he considered that a country which did not apply sanctions at all or did not apply them in reasonable conditions was undoubtedly not complying with its obligations under the Covenant, but the fact that a country merely failed to comply with certain measures recommended by the Co-ordination Committee was not sufficient ground for considering that nation to be acting in such a way as to violate its obligations under the Covenant.

In the second place, he wanted to leave his Government free, in case of conflict, to decide whether it would give priority to the obligations that arose from the Covenant or to those that arose from any other treaties.

He had made those reservations in order not to prejudge his Government’s decision as to the action it would take in case of a conflict.

The CHAIRMAN observed that the Committee was in an awkward position, because the delegate of Panama had said that he was speaking not for his Government but for his delegation. But, the Chairman pointed out, delegates were in the Committee as representatives of their Governments, and therefore the Committee could not officially take note of M. Solis’ declaration.

M. SOLIS (Panama) thought the position was clear. There were two points which he believed needed careful consideration by his Government and he had submitted reservations in order that his Government might be able to come to final conclusions later.

The CHAIRMAN reminded the delegate of Panama that Article 20 of the Covenant of the League was worded as follows:

“The Members of the League severally agree that this Covenant is accepted as abrogating all obligations or understandings inter se which are inconsistent with the terms thereof, and solemnly undertake that they will not hereafter enter into any engagements inconsistent with the terms thereof.

“In case any Member of the League shall, before becoming a Member of the League, have undertaken any obligations inconsistent with the terms of this Covenant, it shall be the duty of such Member to take immediate steps to procure its release from such obligations.”

The difficulty involved in the special position of the delegate of Panama was that he had stated a reservation in a general form. So far States had made reservations on one specific point or another and the Committee had noted and considered them. In the present case, it was difficult to reach any opinion upon a general reservation the exact scope of which was not known and which might jeopardise the enforcement of the measures taken. The position taken up by the delegate of Panama was at variance with Article 20 of the Covenant. He must therefore ask M. Solis to request his Government to define its attitude more clearly.

M. SOLIS (Panama) could not agree with the Chairman. He was well acquainted with the article of the Covenant referred to, but it appeared to him very doubtful whether the authority of the Co-ordination Committee was derived from the Covenant. Panama was willing to fulfil all her obligations under the Covenant and was ready to co-operate in the application of sanctions, but he wished to make a reservation that the present case should not be taken as a precedent, since he believed that Article 16 of the Covenant left each State free to determine what sanctions it would enforce and did not subordinate States Members to any administrative or technical body of the League.

He was anxious to make it clear that his sole intention had been to ensure that Panama should be free from any responsibility if she did not apply certain measures and that in such a case she would not be considered as having violated the Covenant. He expected, of course, to receive a communication from his Government regarding his reservations, and he would then be able to state the position more clearly. He had been obliged, however, to give a reply before October 31st, and the only way in which he could do so had been to make reservations on the points on which he felt doubts.

The CHAIRMAN did not wish to embark upon a controversy as to the view advanced by the delegate of Panama, especially as the latter had put it forward as his delegation’s personal opinion. The Committee of Eighteen could not discuss the personal opinion of a delegation which had received no special instructions from its Government to offer such an opinion. He would therefore simply take note of the statement of the delegate of Panama that the latter was awaiting his Government’s reply. The discussion could be resumed when he had received instructions from his Government.

M. Solis withdrew.

CHILE AND URUGUAY.

The CHAIRMAN said that the delegate of Uruguay had informed him that he was in the same position as the Chilian delegate and would like to be heard at the same time on the subject of clearing agreements.

M. Guani, delegate of Uruguay, came to the table of the Committee.
M. DE PORTO SEGURO (Chile) reminded the Committee that, at the meeting on October 19th, he had made, on his Government’s behalf, certain reservations, more especially in connection with clearing operations.

He had received a telegram from his Government on the previous day and was now able to define the special position of his country.

Chile produced copper and nitrates, which represented 80% of her total exports to Italy, the remaining 20% being wool, wheat, etc. The goods were paid for in foreign currency, but, by a special arrangement with Italy, the nitrates might be paid for as to 50% in cash and as to 50% in kind. There was thus a clearing agreement in the proper sense of the term.

Nitrates were shipped from July to November, and were generally paid for between December and April. In the present year, all Chilian nitrates had already left for Italy, and the latter had still to send the goods required by the agreement. That fact showed how important the clearing question was for Chile, which, like Roumania, asked to be enabled to receive what was due to her.

Italy owed Chile about 1 million lire for various goods and 5 or 6 million — perhaps even more, for the telegram received did not mention an exact figure — for nitrates.

There was a world cartel for nitrates, and Chile sold in Italy 50,000 or 60,000 tons of nitrates which she could not sell elsewhere. Consequently, if the Italian market were lost, it would be impossible to dispose of the products elsewhere. Moreover, the sea route to Italy passed via Spain, and advantage was taken of that circumstance to exchange goods with the latter country. If the trade with Italy were to be interrupted, Chile would also lose the Spanish market, unless Spain sent vessels to Chile.

To sum up, for the reasons that he had just stated, Chile was in very much the same situation as Switzerland, since there was a clearing agreement between Chile and Italy, and Italy was heavily in debt to Chile. The money was blocked in Italy, and for the time being there was no hope of collecting it; perhaps it would be possible to obtain these payments later, but what would be the value of the lira then?

He had desired to take the opportunity of giving the Committee the foregoing brief particulars of his country’s situation, which was entirely on a par with that of Switzerland, Roumania and the other countries which had clearing agreements with Italy.

The Chairman had had the impression at first sight that Chile’s case was similar to that of Switzerland. After careful consideration, however, he had realised that it was not quite the same as that of Switzerland, and the latter’s case was itself a little different from that of Roumania. It was for that reason that he had had each case studied separately.

M. GUANI (Uruguay) stated that Uruguay’s position was quite clear. A clearing agreement had been concluded by Uruguay with Italy at the beginning of the current year. There was no need to speak at length of clearing agreements; they had been discussed already. Much had been heard concerning the situation in which a country had found itself when it exchanged goods with another country by means of the clearing system precisely on account of the great difficulties that had been encountered in recent years in marketing goods. Public opinion in Uruguay had considered that the clearing agreement with Italy had been a great economic success, because it had enabled the country to develop its foreign trade, which had been severely hit by the prohibitions, quotas, etc., enforced in the big consuming countries, particularly in Europe.

Uruguay’s situation was as follows. Italy owed Uruguay about 12 million lire. Some people might think that amount small in comparison with the figures announced that morning; but for Uruguay it was large in comparison with her total export trade. Of the figure mentioned, 5 million lire were available to the Government. A bank in Italy kept that foreign exchange at the disposal of the National Bank of Uruguay. Trade was thus conducted through the Governments. Six millions more were intended for orders for goods already sold but not yet received in Uruguay.

In the course of the discussion, he had heard many opinions expressed as to the way in which it was expected to settle the situation of countries with clearing agreements. He would not repeat the arguments that had already been adduced in certain Committees; he would limit himself to explaining Uruguay’s position vis-à-vis Italy more clearly and more precisely in the sub-committee which it was proposed to set up to make a special study of the clearing problem.

In conclusion, he had received no special instructions from his Government to submit the foregoing observations. He knew, however, that the Uruguayan Government was determined to apply sanctions and to fulfil all the obligations it had assumed under the Covenant. He had already informed the Chairman and the Secretary-General that the question which he had just laid before the Committee was being examined by the Uruguayan Parliament, which would certainly give it the most careful attention. He would not like to submit at the last moment certain observations or to make certain reservations. That was why he preferred to raise the question at once. He hoped that by November 15th — the approximate date on which his Government expected to be able to approve the sanctions — a solution might be found, or a general decision of principle adopted, which would take into account the situation of countries, like Uruguay, that had clearing contracts in force with Italy.

1 Document No.: Co-ordination Committee/46 (1), page 22.
The Chairman thought it would be impossible for the Committee to discuss every case separately. He therefore proposed that the various cases be referred to a sub-committee of experts, which might find either a general solution or individual solutions, and which would be instructed to submit to the Committee as soon as possible one or more reports on the questions referred to it.

Mr. Eden (United Kingdom) felt a certain anxiety on the political rather than the technical aspect of the question. He quite agreed that certain countries were in different positions. While nearly all countries would be affected in some way, because nearly all had some balances in the belligerent country, the blow would admittedly be proportionately much heavier for some than for others; but that seemed to be a matter for the compensation committee to be set up.

The problem, however, which caused him anxiety was: What was going to happen on the date to be fixed for the coming into force of sanctions. He would have imagined that, on that date, everyone would cease to purchase goods from the belligerent, with the single exception — obviously a small one — of current contracts for which payment had already been completed. If it could be agreed that the decision to that effect was generally accepted and that there should be no exceptions, save those agreed to by the committee to which the matter was to be referred, the position would be comparatively clear. In default of some such understanding, he was afraid that, on the date fixed, action would be by no means universal and the result might be extremely confusing and not altogether just for all Members of the League.

M. Bibica-Rosetti (Greece) explained that, in the course of the morning, the Sub-Committee for Financial Measures had considered special cases connected with the clearing question, and that, in its report, the Sub-Committee had asked the Committee of Eighteen to refer that matter to a sub-committee of experts.

The Chairman observed that the United Kingdom delegate had made no objection to the setting-up of the sub-committee of experts, to which special cases raising technical questions could be referred. The question brought forward by the Roumanian and Yugoslav representatives would be reserved, because, in a certain measure, it was independent of the clearing problem.

M. Coulondre (France) accepted the Chairman's proposal. He would like to be quite clear as to the proposal put forward by Mr. Eden. If M. Coulondre understood the situation correctly, the decision to refer special cases to a committee appointed ad hoc implied, nevertheless, that it was agreed that Italian imports into the various countries would cease on the day on which the commercial measures entered into force.

Outstanding Claims (continuation).

M. Sourbottitch (Yugoslavia) said he was in a somewhat awkward situation. M. Titulesco had just informed him of a conversation which he had had with the heads of certain delegations, who were not present in the room and were particularly closely concerned. They had suggested to him that the question might be settled by direct conversations, in which the divergencies could to some extent be narrowed. It might, therefore, be as well to postpone any decision concerning clearing operations to the following day.

Mr. Eden (United Kingdom) said that, as far as his own Government was concerned, there was nothing in the conversations mentioned which could affect the main issue put by the French representative — namely, whether or not delegates were agreed that, whatever date was fixed, all countries would take the same action. It might be that the discussions would assist in evening out the technical difficulties, but the big issue was clearly one that should be settled before the date was fixed. It was impossible to ask a number of countries to take action to stop imports, if other countries were going to continue to make them. That seemed to be fundamental.

The Chairman said that there was general agreement on the point that all imports of Italian products must cease on the day on which the commercial measures entered into force. He asked whether the Committee considered that the issue raised by the Yugoslav and Roumanian delegates should be examined in connection with the clearing question.

M. De Porto Seguro (Chile) thought all countries were more or less in the same situation.

M. De Madariaga (Spain) felt some apprehension at the idea of a mere sub-committee's taking a decision under which, as soon as a date had been fixed, the stoppage of Italian imports into the various countries, as from that date, must be absolute and final. Such a decision must be formally adopted by the Co-ordination Committee itself, and then duly ratified by the Governments concerned. After that, the next step should be to deal with a certain number of difficulties raised by several Governments, difficulties which were as genuine, as concrete, as tangible as the necessity for adopting a really effective, comprehensive decision.

1 See page 78.
The Committee had some time at its disposal. If the idea he had formed of the general trend of the replies and of the atmosphere prevailing in the present Committee was correct, the date chosen would be round about November 15th — i.e., about a fortnight from the present date. Would it not be possible, even for countries which had raised certain difficulties, to accede to a definite decision, to be ratified by the various Governments, to the effect that, as soon as the date should have been chosen, all imports of Italian products must cease finally and absolutely, leaving it to a select committee to study in detail all cases from the technical standpoint, in order to discover an appropriate solution for each, while allowing the smallest possible number of exceptions and displaying the greatest possible measure of comprehension.

M. de Madariaga appealed to the countries concerned not to say that they could only adopt the principle when a satisfactory solution had been found for their difficulties. A technical sub-committee, which, if necessary, might remain at Geneva for the next fortnight, would be able to study each individual case under better conditions if it knew that it was backed by the firm resolve of all nations not to allow the continuation of trade which had been declared unlawful, than if it had the impression that, owing to the existence of special cases, nothing had been decided.

To sum up : there should be (1) a solemn categorical decision adopted by the Governments to stop Italian imports absolutely and (2) a study of the concrete cases from the technical standpoint — leisurely, without haste, accurate, with all necessary details and statistics — in order to solve these cases with the greatest possible comprehension and sympathy.

M. Bourquin (Belgium) fully endorsed M. de Madariaga's proposal. In his opinion, that was the only completely realistic method of breaking the deadlock — that was to say, the only method which would make it possible to take certain technical difficulties into account and would not render the proposals, with which the Governments had declared themselves in agreement, entirely ineffective.

Mr. te Water (Union of South Africa) confessed that he could not quite understand M. de Madariaga's object in asking the Committee to reaffirm by solemn resolution what it had so often affirmed before. It appeared to Mr. te Water that the Spanish delegate had forgotten that the Committee of Eighteen had solemnly adopted Proposal III, which had been placed before and solemnly reaffirmed by the Co-ordination Committee. At the moment, at any rate, he could not see what would be the value of yet another reaffirmation.

The various proposals had been before the Governments, and some Governments had placed their special difficulties before the Committee. Those difficulties were now to be studied by an expert committee; but the broad principles had been accepted and had gone out to the world. If the members of the Committee were now to reaffirm those principles, and, by reaffirming them to show their doubt in them, they would spread abroad the very spirit which they wished to avoid spreading — the spirit of doubt; he might almost say the spirit of bargaining in their own particular cases.

During the valuable discussion on the question that morning in the Sub-Committee on Economic Measures, the Canadian delegate had made a strong plea for collective action and had begged the Committee not to show division and weakness. Mr. te Water must confess that, after two days' debate, he could find only a considerable amount of doubt, hesitation and lack of collective action.

At the present stage, delegates must take their courage in their hands. They knew that many of the proposals were not perfect and that they would damage each of their countries without exception. His own country would be materially damaged by the enforcement of the proposals probably as much as the country which M. de Madariaga represented. That, however, was no answer to the whole question. At some moment, members must take decisive action with the knowledge of what damage that action would cause their countries.

If he might put the matter brutally, the purpose of the present meeting was to bankrupt the aggressor nation, for that was the meaning of sanctions, the object of which was to force the aggressor nation, by economic measures, to weaken her attack upon an innocent nation. It was not a question of a particular nation but of a principle. He feared that the hesitation shown in the debates during the last few days did not tend to strengthen either the Committee's position in the eyes of the world or the League and the theory which underlay the Covenant. For those reasons, although he appreciated the value of M. de Madariaga's constant interventions in the debates, Mr. te Water was afraid that his last suggestion would only weaken the Committee's position.

In conclusion, he agreed with Mr. Eden that the question of a date was one with which the Committee was immediately faced. The difficulties which certain countries had put before it could be examined, but that was no reason for hesitating to decide on the question of a date. The sooner its proposals were put into effect the better, and it would, he suggested, be valuable if that particular point were not postponed by the Chairman much longer. If the decisions of the sub-committee upon consideration of the difficulties of five or six countries were to delay the date on which the proposals were to be put into effect, nothing would be achieved.

The South African Government was prepared to accept the earliest date upon which the Committee decided. It was prepared fully to accept Proposal III and did not desire to bring forward any special case. It fully realised that Proposal III would cause damage to South Africa, but it also realised that behind that proposal there was the possibility of the achievement of security, which was, after all, the raison d'être of all the Committee's debates and its proposals.

1 See page 55.
M. Titulesco (Roumania) wondered whether some members of the Committee might not have imagined that there was something behind the case which had been put forward by the Roumanian representative, M. Visioianu.

M. Titulesco was not out to wreck the sanctions. There must be a deep reason of justice to explain why a delegate who for sixteen days had co-operated with the Committee in order to evolve a system of sanctions should come forward at the last minute and raise this question.

What was the point at issue? Roumania's trade with Italy amounted to £7,200,000. November 15th had been mentioned as the date for the application of the sanctions. On behalf of the Roumanian Government, he stated officially that he accepted that date. That meant £7,200,000 of profits sacrificed on the altar of the League. And, as the Roumanian Government had informed him that Bucharest was considering the denunciation of the existing treaty with Italy, that sacrifice might well be made sooner than was asked.

The possibility of the Roumanian Government's denouncing that treaty was under consideration in order to prevent an accumulation of arrears so heavy that it would not be possible to pacify Italy's creditors. In exchange for those £7,200,000 he would bring back to his country a piece of paper promising compensations, in which he firmly believed, but a paper that would be drawn up in diplomatic language, so that it would hardly strike the imagination of the general public. Quite apart from that sum of money, there was another matter. There were Roumanians who had sold goods to Italy which had not been paid for, since it had been to Italy's advantage to buy as much as possible during the last few months, and the Roumanians had allowed Italy credit because she had always paid her debts. According to the estimates he had received from Bucharest, the amount involved was £2,000,000, representing Roumanian goods exported to Italy, in exchange for which he could not even produce a pledge similar to the one he could present for future losses.

The Roumanian delegation had, quite normally, proposed the following system: not to purchase in future Italian products against goods, but to purchase in order to liquidate arrears, for that was the only means of recovering the debt owing to Roumania. The answer had been in the negative on the ground that the impression might be created that the flow of trade was continuing between the two countries, which would be contrary to the idea of sanctions and the very terms of Article 16 of the Covenant. But, if that was to be so, what compensation would the Committee offer him, so that he might tell his country that its claim on Italy had not vanished into thin air, but that it had simply had to be deferred, that it would have the backing of the commonwealth of nations, so that, upon the termination of the sanctions, Roumania would find general support for the payment of her claim by Italy and its mobilisation in the meantime. Might not a special chapter be allotted in the mutual support system to countries which had claims of that kind—i.e., claims deriving from a clearing agreement?

All the other claims would, of course, have to be maintained.

He therefore asked Mr. te Water, who had so often supported him, to agree to a respite, since his country was in the same position as Roumania—the way in which that claim could be preserved. In conclusion, he urged the Committee to suggest a solution which would enable Roumania to preserve her claim, and to preserve it at its present value. He asked, further, for international support in seeking the necessary compensation. In any case, he asked for a rapid enquiry, which would make it possible to fix to-morrow the date, for which Mr. te Water was pressing, for the entry into force of the sanctions. If the Committee did not agree even to that, he would have to refer to his Government, whose reply the Committee would receive later.

The Chairman recalled that the question had been discussed at length on the previous day, and that he had then stated that it had, first, a technical aspect, and, secondly, an aspect connected with compensation. He had proposed that the technical aspect should be considered by a committee of experts and the other aspect sent to an ad hoc committee. That proposal had been overlooked, but it had been brought forward again by M. Motta, and the Chairman was glad to see M. Titulesco reverting to it now. He therefore begged the Committee to come to a decision.

M. Titulesco (Roumania) drew attention to a difference between the Chairman's proposal and his own. The present discussion could not conclude with a simple reference of the issues to other committees for study. The fait accompli would be created to-morrow, but it was first necessary to have agreement on a principle in the Committee and then to refer the application of that principle to the technical committee. The reason why he had ventured to ask for the help of the United Kingdom and French delegations was in order to see whether it would be possible to find an agreed formula on the principle, which the Committee of Eighteen could accept; after that, the Chairman's proposal could be applied.

M. Politis (Greece) asked leave to state a jurist's point of view. M. Titulesco was asking that, on behalf of countries which had claims of a certain character—indisputable claims such as those represented by a credit clearing balance which might be endangered by the application

1 See page 22 et seq.
of sanctions — there should be a collective arrangement whereby, upon the termination of the sanctions, such claims would be considered and discharged at the value they possessed at the time when the sanctions began.

Such claims might be endangered in two ways. It was possible, first, that the creditor State might refuse to receive in payment any goods which might be offered to it. That was, he thought, a theoretical hypothesis, since Italy, he imagined, would be unable, or perhaps would not wish, at the time when sanctions were decided on, to pay to the States applying them any commercial debts she might owe them.

Secondly, the claims in question might be endangered — and this was a practical assumption — in the event of Italy's offering to pay them and of the creditor country's refusing, by reason of its pledges to the League, to receive the goods offered in payment. Legally, Italy could then say that the creditor country was debarred by its failure to accept payment at the time it was offered.

M. Politis would reply that Italy would not be legally entitled to put forward such an objection, because the creditor's refusal would result from the application of a general law — the Covenant — which all Members of the League were bound to observe.

It would, he believed, be very easy to work out a text in the form of a resolution, to rank among the many resolutions already adopted by the Co-ordination Committee.

The CHAIRMAN pointed out that the proposal so clearly put forward by M. Politis had been propounded the day before by the Spanish delegate in almost identical terms.

M. DE MADARIAGA (Spain) confirmed the Chairman's remark. Yesterday, however, the Committee had decided, on the proposal of M. Motta, that the matter should first go to the Sub-Committee on Economic Measures, and that, only after the latter Sub-Committee had failed, should it go to the Legal Sub-Committee. It had been considered by the Sub-Committee on Economic Measures that morning, and M. de Madariaga felt that the Sub-Committee had not succeeded. The question had returned to the Committee of Eighteen, and M. Politis had repeated his own, M. de Madariaga's, proposal. The Committee was therefore caught in a vicious circle, from which a way out must be sought.

He proposed that the Committee should revert to the suggestions he had made a little earlier. It would decide that the date chosen indicated definitely the stoppage of imports of Italian products. There was a fortnight in which to dispose of the issue, which, M. Titulesco, like all his colleagues, might be sure, would receive all the respect and sympathy due to it in view of its importance. Work could even begin that evening. Something must be done to break the deadlock.

M. TITULESCO (Roumania) asked that his proposal might receive a clear answer — yes or no. The four delegations he had suggested might meet, and they might be joined by M. Politis, in order to examine the question, which had both a legal and an economic aspect. They might agree on a principle which would then be considered by the Committee of Eighteen.

M. MOTT A (Switzerland) suggested that the Committee should agree to M. Titulesco's proposal on the understanding that the Roumanian delegate promised to submit next day a text upon which the Committee could come to a definite decision.

Mr. EDEN (United Kingdom) fully supported M. Motta's suggestion. As far as his own Government was concerned, the United Kingdom delegation would be quite willing to take part in any committee of the kind suggested by M. Titulesco. The committee might be composed of representatives of France, Greece, Spain, Roumania, Yugoslavia and the United Kingdom and set to work immediately.

M. COULON DRE (France) associated himself with the proposal just made.

The proposal of M. Titulesco, completed by Mr. Eden, was adopted.

FOURTH MEETING.
Held on Saturday, November 2nd, 1935, at 10.30 a.m.

Chairman : M. DE VASCONCELLOS (Portugal).

7. Proposals of the Co-ordination Committee : Position in regard to Replies received from Governments.

The CHAIRMAN announced that the Secretariat had now received replies to the proposals of the Co-ordination Committee from all the Governments Members of the League from whom such replies could be expected. The last which had arrived was from the Dominican Republic,
the Minister for Foreign Affairs of which stated that, as the President of the Republic was absent from the capital, it was impossible to take a decision. The Chairman hoped the Government of the Dominican Republic would very soon be in a position to send a favourable reply. He expressed the same hope in regard to the final replies from the Governments of Nicaragua and Venezuela to Proposals III and IV, which were for the moment still under consideration in these countries.

Apart from the cases just mentioned, and the reply from the Government of Paraguay of which the Committee was aware, the total number of replies was at present as follows: Proposal I, 51; Proposal II, 51; Proposal III, 49; Proposal IV, 49; Proposal V, 41.

He drew attention to the success which these results constituted for the work of the League of Nations.

Mr. Eden (United Kingdom) said it had been brought to his notice that the fact of His Majesty’s Government in the United Kingdom having made no reply to the Secretary-General in respect of Proposal V had been taken to mean that His Majesty’s Government did not accept that proposal. He desired to point out that Proposals I to IV definitely asked for a reply from Governments, whereas Proposal V contained no such request, and involved no immediate action. It was for that reason and no other that His Majesty’s Government had not replied to it. Nevertheless, in order that there might be no misunderstanding, he now desired to say that the United Kingdom Government accepted Proposal V.

M. Suetens (Belgium) said that the Belgian Government had also thought that Proposal V did not require an answer; but he need hardly say they accepted the proposal and would apply it with the utmost good will.

M. Gomez (Mexico) said his Government, from which he had just received instructions, also accepted Proposal V.

The Committee noted these statements.

8. Outstanding Claims: Draft Resolution submitted by the Sub-Committee on Clearing Agreements.

The following draft resolution was read:

“The Members of the League of Nations participating in the measures taken in regard to Italy under Article 16 of the Covenant,

“Having regard, in particular, to Proposal III, under which they have agreed to prohibit, as from . . . , all imports consigned from Italy or her possessions,

“I. Consider that the debts now payable by Italy to them, under clearing agreements or any other arrangements, the payment of which becomes impossible by reason of the aforesaid prohibition, will remain valid at their present value notwithstanding any offers of payment in kind that may be made by Italy or any action that might be taken by her against the creditor States;

“II. Recognise:

“(a) That on the discontinuance of the measures taken in regard to Italy under Article 16 of the Covenant, they should support one another in order to ensure that Italy discharges her obligations to the creditor States as she should have done, if she had not incurred the application of Article 16 of the Covenant;

“(b) Furthermore, that, if in the meantime particularly serious losses are sustained by certain States owing to the suspension by Italy of the payment of the aforesaid debts, the mutual support provided for by paragraph 3 of Article 16 will be specially given in order to make good such losses by all appropriate measures.

“The Committee on Mutual Support will draw up a list of the debts referred to in paragraph I above and will examine the measures contemplated in paragraph II (b) above.”

The resolution was adopted.

9. Choice of the Date for the Entry into Force of Proposals III and IV.

After an exchange of views, it was decided to propose to the Co-ordination Committee that November 18th should be chosen as the date for the entry into force of the measures indicated in Proposals III and IV.

1 Document No.: Co-ordination Committee/81.
10. Consideration of Special Cases raised in Replies from Governments (continuation).

Switzerland.

The CHAIRMAN opened the discussion on the Swiss Government's reply.¹

M. POLITIS, Chairman of the Legal Sub-Committee, said the Swiss Government's reply should be examined in connection with the following paragraph in the report ² submitted by the Legal Sub-Committee:

"Of these States, however, Luxemburg and Switzerland have not accepted the part of Proposal I which relates to Ethiopia. Luxemburg bases its attitude upon its policy of neutrality; Switzerland refers to the Hague Convention of 1907 concerning the rights and duties of neutral Powers and persons in war on land (Article 9) and to its neutral status. The Legal Sub-Committee notes that its terms of reference do not invite it to examine the compatibility of this attitude with the obligations of the Covenant."

The last sentence had been worded in such a manner as to leave the matter open, the Sub-Committee taking no sides on the question.

The CHAIRMAN said the issue raised in the passage quoted by M. Politis would be discussed at the same time as the report of the Legal Sub-Committee.

M. DE MADARIAGA (Spain) referred to the following sentence in the Swiss Government's reply:

"Paragraph 3 of Article 16 of the Covenant, which has just as much legal force as the other provisions of that article, entitles Switzerland to seek compensation (se faire indemniser) from the other Members of the League for the special sacrifices imposed upon her."

He wondered whether the Federal Government, in drafting that sentence, had not said more than it intended. It was obvious that, in the aggregate, a situation such as that in process of creation could only lead to a minus result. It would therefore be quite impossible for the States to compensate each other. The sum total was a minus. There would be mutual support, but not strictly any compensation.

Mr. EDEN (United Kingdom) asked the Swiss representative for information concerning the last sentence in the fourth paragraph on page 2, which read as follows:

"The Federal Council is prepared to take the necessary steps to ensure that trade between Italy and Switzerland shall not exceed the volume it has hitherto attained."

What exactly was meant by that sentence? Did it, for instance, mean that the Swiss Government proposed, in view of the special position of Switzerland, to admit imports from Italy up to a value not exceeding in any month the value of such imports during the corresponding month of the preceding year?

M. MOTTA (Switzerland) agreed entirely with M. de Madariaga. The sentence to which the latter had referred formed part of an argument, and M. Motta admitted that instead of using the word "entitles" it might have been better to write "would entitle", so as to make the sentence milder and less categorical. However, he entirely accepted M. de Madariaga's interpretation of the passage quoted.

In reply to Mr. Eden's question, he explained the intention of the Federal Council as being that the volume of business during a given period should not be greater than that of normal previous years for a corresponding period. The Federal Council had not yet studied the details of the problem — e.g., the question whether the basis of the reckoning should be the month or the quarter. In any case, it did not desire to extract any benefit from the special position in which Switzerland was situated, or from the circumstance that Switzerland was not acceding in full to all the measures proposed.

M. COULONDRE (France) asked M. Motta to be good enough to give a few additional particulars concerning the question raised by Mr. Eden. According to M. Motta's reply, the volume of trade would not in future exceed the amount of the previous year. It was possible that the measures to be taken would last only a few months. Did Switzerland propose to import during that period an amount equal to the total imports of the previous year?

There was one other point on which he had not entirely grasped the effect of the Swiss Government's reply. The Swiss Government began by saying that they had decided to take the necessary steps to prevent Italy procuring foreign exchange through her trade with Switzerland. But the reply went on to state: "The Federal Council is prepared to take the necessary steps to ensure that trade between Italy and Switzerland shall not exceed the volume it has hitherto attained ". As there was at present a substantial active balance in favour of Italy on the trade between the two countries — which meant that Italy was in a position to derive foreign exchange from its commercial transactions with Switzerland — he would

¹ Document No.: Co-ordination Committee/58.
² Document No.: Co-ordination Committee/78 (1).
like to know how the Federal Government reconciled its attitude in the first passage with its attitude in the second. Was the Committee to understand that the Swiss Government intended to bring its trade balance with Italy into equilibrium? If so, was it proposed to balance at the level of Swiss exports to Italy or at the level of Italian exports to Switzerland?

M. Motta (Switzerland) replied that, in general, the trade statistics of Switzerland were on a quarterly basis. In the statement that the future volume of trade must not be greater than the past volume, the reference had therefore been to quarters.

In the next place, the object of the Swiss suggestion was to prevent Italy from acquiring a surplus of foreign exchange which would enable her to purchase goods intended more especially for carrying on war. The Federal Government's efforts would therefore be directed towards preventing the accrual of any such surplus of foreign exchange. In any case, under the clearing system there would be compensation and the suppression of direct payments.

The question was, however, a technical one which it would be difficult to discuss usefully in the Committee. The expert representative of the Federal Government would be in a position to supply the application committee with any technical details required to show that Switzerland was equally desirous in this matter of fulfilling as far as possible her duty of solidarity with the League of Nations.

Mr. te Water (Union of South Africa) could not admit that the letter from the Swiss Government was entirely satisfactory from the Committee's point of view, though he had no doubt Switzerland would observe her neutral position in the dispute with Italy with the most meticulous care. The countries represented on the Committee were in the last resort dependent on the Swiss Government's bona fides; and he did not think there was much to be gained by examining the Swiss reply too closely, for the very reason that, ultimately, they were dependent upon the bona fides of the Swiss Government. He thought, however, it might be useful for the Committee, in taking note of the document, to make some declaration to the effect that they were convinced Switzerland would discharge her duties as a neutral nation, in conformity with her obligations under the Covenant, with the utmost bona fides. Such a declaration would be a useful pointer to the public of the countries represented on the Committee regarding the Committee's attitude towards the Swiss Government's declaration.

The Chairman observed that the Swiss delegate had just made precisely the same statement in much the same terms.

M. Motta (Switzerland) could only confirm the statements he had just made. He added that the status of Switzerland, declared "unique" in the Declaration of London, was the status of neutrality. It was stated specifically in the Declaration of London that Switzerland's neutrality was compatible with the provisions of the Covenant. Switzerland was neutral in the military sphere and in those subjects which were closely akin thereto. In regard to commercial and economic measures, Swiss solidarity with the League was complete, because she accepted the financial sanctions as they stood. She accepted the proposals concerning the export of key products as they stood. She had placed an embargo on arms consigned to Italy and Ethiopia. He was prepared to explain, if necessary, why Switzerland had maintained the embargo on the latter country. As to imports of Italian goods, Switzerland declared that she would apply a system which would produce the same result as the system recommended in Proposal III, while avoiding losses incompatible with Switzerland's position. He thought that in those circumstances he had given clear proof of the Federal Government's good faith.

M. Coulondre (France) stated that, being in complete agreement with the South African delegate, he had no intention whatever of going more deeply into the Swiss Government's reply. He could not, however, let pass M. Motta's statement, in which the latter had contended that the action taken by Switzerland in allowing the flow of trade between the countries to continue was equivalent to the action which other countries were proposing to adopt. In the face of public opinion at home, the Governments of the other countries could not accept the Swiss statement. They themselves were preparing to make extremely heavy sacrifices which would involve them in the case of Italian imports into their countries and, in all probability, the Swiss declaration of the cessation of their exports to Italy. They had shown no hesitation, whatever their feelings, in taking those measures. But they could not stand by and allow it to be said that the effect of the measures they were taking would in no way differ from the effect of measures under which the existing flow of trade with Italy would be maintained.

Mr. te Water (Union of South Africa) was concerned to prevent any misunderstanding in the matter. The Swiss Government's letter might be well understood in Switzerland. It was not well understood in the other countries represented on the Committee. Rightly or wrongly, the impression had got abroad, in the streets of Cape Town and in the streets of London, that the Swiss attitude in this matter had been obstructive. Whether that was a correct view or a wrong one, the fact remained that it was abroad.

As he had already said, he fully accepted the bona fides of the Swiss Government; but, in order to allay the feeling that existed in the various countries represented on the Committee, he suggested that the letter of the Swiss Government should be accompanied by a statement to the effect that "the Committee, in taking note of the Swiss declaration, is convinced that Switzerland will discharge her duties as a neutral nation, in conformity with her obligations under the Covenant, with the utmost bona fide". Such a declaration would satisfy public opinion in the countries represented on the Committee; and that was his object in making his proposal.
The CHAIRMAN thought Mr. te Water would receive complete satisfaction if note were taken of the letter and statement of the Swiss Government in the light of the observations made, which would be recorded in the Minutes.

M. Motta (Switzerland) desired to give every assurance by stating that he agreed to the South African delegate's proposal. The question could of course be discussed at length, but he did not think that would serve any useful purpose at the present juncture.

Mr. Eden (United Kingdom) suggested, in view of the happy end of the discussion, that the solution reached should be noted in the Minutes and the delegates of South Africa and Switzerland should be thanked for the statements they had made.

The CHAIRMAN also thanked the delegates of Switzerland and South Africa. Their remarks would be recorded in the Minutes.

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M. Cantos (Spain) explained that the question of the embargo on iron ore raised by the Spanish Government was not very important from the national aspect. In fact, the sacrifice that might be entailed by refraining from exporting iron ore was by a long way one of the smallest sacrifices Spain was making by her co-operation in the introduction of sanctions. It was rather a question of logic and principle. Logic was necessary even in national matters. A sacrifice was more or less heavy in itself; but it often became very heavy and even difficult to impose when its logic was not seen clearly, or when it was useless as in the present case.

The main object of the embargo on certain materials was to prevent Italy from obtaining the means of making war. In achieving that object, the following reasoning could be advanced. "Italy requires arms. Therefore an embargo must be put on arms. "Arms are manufactured with iron and steel. Therefore an embargo must be put, in the second place, on iron and steel. "Iron and steel are manufactured with ore. Therefore, in the third place — but in the third place only — an embargo must be put on ore."

If no embargo was put on iron and steel, he did not see the use of the third measure; and it would be very difficult to convince Spanish traders who exported a small quantity of iron ore that they must not send their ore to Italy, although any country could send iron and steel to that country.

The object of every measure taken at Geneva must be to bring real pressure to bear on the Italian Government in order to prevent it from continuing the war. But the embargo on iron ore would bring no pressure to bear, because the Italian Government would have all the iron and steel it wanted. This measure would therefore only affect the foundries and the Italian metallurgical industry. In other words, it would have no effect from the point of view of the aim pursued, and its only result would be to penalise directly Italian workers, who would no longer be able to work in certain industries because their country would be compelled to import iron and steel instead of ore.

He could not see the logic and utility of the measure contemplated, and even thought it might produce comprehensible irritation in Italy in certain circles among which unemployment would increase.

If Italy was to be prevented from obtaining iron, she should also be prevented from obtaining the material required for its manufacture: but iron and steel should figure at the head of the embargo list. In saying that, he was not expressing an opinion either for or against the embargo, but was raising the question as a whole.

M. Coulondre (France) asked whether the Committee wished to resume the entire technical discussion on the list of products on which an embargo was to be placed. He did not, personally, deny the logical nature of M. Cantos' proposal; but, though logical, it was not practical, and that was, he thought, sufficient reason for rejecting it. It was impossible for the time being to put an embargo on iron and steel or on oil and copper, since those products were not entirely controlled by States Members of the League. An embargo on them would therefore be ineffective. That, however, did not mean that the embargo on iron ore should be dropped. In the first place, the Co-ordination Committee had already taken a decision on that point. He would recall briefly the reason for the Committee's decision. It was very simple — viz., that, if Italy was obliged to buy steel instead of making it herself from iron ore or scrap iron imported from abroad, she would have to pay much more for it. In other words, the effect of the measure was chiefly financial. He did not think therefore that there was any reason to ask the Co-ordination Committee to modify its decision, and he hoped M. Cantos would assent to that view.

The CHAIRMAN said the Committee was not competent to modify the list adopted by the Co-ordination Committee. It could only make additions to it — e.g., it could add iron and pig-iron, as the Canadian delegate proposed.

Mr. Riddell (Canada) reminded the Committee that in Proposal IV, concerning the embargo on certain exports to Italy, they were entrusted with the task of making suitable proposals to Governments on this subject. He imagined they were all agreed that the list of key
products was not complete, inasmuch as such important products as petroleum and its derivatives, coal, iron and steel, were not on the list. The Committee had been successful in obtaining acceptances regarding the embargo as far as it went, and he thought all the States Members of the League were to be congratulated on that. He now ventured to propose that the substances he had named should be added to the list in principle, and that measures with regard to them should come into effect whenever the Committee found that an embargo could be made effective. The inclusion of iron and steel in this way, he hoped, would also give satisfaction to the Spanish delegate. He accordingly suggested the following proposal: ¹

"In execution of the mission entrusted to it under the last paragraph of Proposal IV, the Committee of Eighteen submits to Governments the following proposal:

"It is expedient to adopt the principle of the extension of the measures of embargo provided for in the said proposal to the following products:

"Petroleum and derivatives;
"Coal;
"Iron, cast iron and steel.

"As soon as it appears that the acceptance of this principle is sufficiently general to ensure the efficacy of the measures thus contemplated, the Committee of Eighteen will propose to Governments a date for bringing them into operation."

M. VAN RAPPARD (Netherlands), without expressing any opinion on the Canadian delegate's proposal, pointed out that a second list of products had been compiled, including, inter alia, those mentioned by Mr. Riddell. For his part, he would prefer that the export to Italy of all the products included in the second list should be prohibited. He did not see why, for instance, an exception should be made for cotton, which seemed to him just as important as coal.

The CHAIRMAN replied that the Canadian delegate's proposal could not be discussed immediately, and suggested that the discussion of the Spanish delegate's proposal also be postponed.

M. KOMARNICKI (Poland) asked that Mr. Riddell's proposal should be referred to the Sub-Committee on Economic Measures. Agreed.

¹ Document No.: Co-ordination Committee/83.
The CHAIRMAN said the questions which had been raised would be discussed in the Subcommittee on Economic Measures.

M. van Rappard (Netherlands) asked whether the question of transit would be studied in regard to goods coming from Italy as well.

The CHAIRMAN said delegations would be entirely free to submit proposals to the Subcommittee.

12. Arms Embargo: Report by the Legal Sub-Committee on Replies from Governments to Proposal I: Consideration and Adoption.

M. Bech, delegate of Luxemburg, came to the table of the Committee.

The report¹ by the Legal Sub-Committee was read (for text of the report, see Minutes of the Co-ordination Committee, second session, second meeting²).

M. Coulondre (France) observed that the Legal Sub-Committee had noted that the Swiss Government declined to raise the arms embargo in respect of Ethiopia. He did not wish to labour the point, which was of no great practical importance in the present case. In the case of a European conflict, on the other hand, such an attitude might lead to very serious consequences, for no one could be ignorant of the important part which Switzerland played in transit matters in Europe.

He therefore felt it his duty to state that the Government of the French Republic could not admit the validity of the Federal Government's argument based on the Hague Convention of 1907 and to its status as a neutral. The French Government considered that the legal arguments put forward by the Swiss Government ran counter to Article 16 of the Covenant and the London Agreement between the League Council and Switzerland with regard to the Confederation's entry into the League.

At the present conference of Governments constituted by the committees now in session at Geneva, the French Government had no desire to dwell at greater length upon this grave question, which fell rather within the competence of the organs of the League of Nations. But he could not allow a precedent to be created which the League, in the French Government's opinion, could never accept.

M. Komarnicki (Poland) entirely concurred in the French delegate's submissions. He hoped the Swiss delegate would dispel the very serious doubts which might arise if the attitude taken by the Swiss Government were to constitute a precedent. For his own part, he did not believe that such was the Federal Government's intention, as there had already been a precedent to the contrary in connection with the war in the Chaco, when Switzerland had raised the embargo on arms consigned to Bolivia. No interpretation laying down a general principle conflicting with Article 16 could, of course, be tolerated by the League. The Swiss Federal Government would no doubt agree with all the other Members of the League on that point.

M. Politis (Greece) made the following statement on behalf both of the Greek delegation and of the Balkan Entente:

"We fully share the views just expressed by the French delegate. We consider that the construction which the Federal Government has placed upon the Declaration of London as regards the two-fold embargo and the prohibition of transit to the territory of both the parties to the present dispute is not in accordance with the Declaration of London as we have understood it. We further desire that the present declaration of the Federal Government should not set up a precedent, while at the same time we express the hope that this question of the true scope of the Declaration of London, on which a certain number of Members of the League of Nations, on the one hand, and the Federal Government, on the other, are at present divided, may be elucidated as soon as possible, so that, if by any mischance we should be called upon to deal with some future dispute, the League of Nations will not be faced with the same difficulties."

M. Visoianu (Roumania), on behalf of the Little Entente, associated himself with the statement made by the French delegate. He further concurred in all that had been said by M. Politis on behalf of the Balkan Entente.

M. Antonov (Union of Soviet Socialist Republics) entirely associated himself with the French delegate's observations regarding the Swiss Confederation's attitude in the matter of the embargo on the export of arms to Ethiopia. The Soviet delegation considered that such an attitude was not compatible with the obligations arising out of Article 16 of the Covenant and might set up a serious precedent, such as the League could not accept. Unless the Swiss Confederation could see its way to changing that attitude, the whole question should be examined with the least possible delay by the competent organs of the League.

¹ Document No.: Co-ordination Committee/78 (1).
² See page 12.
Sir William Malkin (United Kingdom) agreed with the French representative that it was not necessary — or perhaps even proper — that this question should be thoroughly gone into there and then. The record of the discussion would make it plain that what had occurred was not to be regarded as constituting a precedent. But, as the question had been raised, and in order to avoid any possibility of misunderstanding, he wished to associate himself with the French representative, and to make all necessary reservations as to the contentions that had been put forward by the two Governments in question.

M. Mottaz (Switzerland) desired, in the first place, to state the facts. When first the League of Nations, and then the present conference of Governments, had dealt with the question under consideration, there had been no restriction on the trade in arms in Switzerland — i.e., export was permitted to all parts of the world, to Italy just as much as to Ethiopia.

In order to fall in with the spirit of the present conference and with the spirit of the League’s resolutions, Switzerland had taken the view that an embargo must be placed upon arms, munitions and implements of war consigned to Italy, realising as she did that, in the contrary event — i.e., if she allowed arms, ammunition and implements of war to leave Switzerland for the assistance of a State found guilty of a breach of the Covenant — she would be failing in her duty of solidarity.

When, however, the competent authorities had carefully and conscientiously examined the question whether the neutrality of Switzerland, as they themselves conceived it and as it was recognised by international law, permitted of a distinction being made between Ethiopia and Italy, they had been forced to a negative conclusion.

He wished to take advantage of the present opportunity — though without the least intention of provoking a discussion, which, although in the present instance to all seeming theoretic, might, he admitted, assume considerable practical importance on some future occasion — to quote certain passages from the Declaration of London, which he proposed to interpret with the utmost sincerity and good faith. He did not mean to detach particular passages from their context in order to make them mean what he wanted. He desired to deal with the matter as he would deal with it if he were taking part in a scientific discussion, a discussion between men of good faith engaged, not in pleading a cause, but in examining with the utmost sincerity and good faith. He did not mean to detach particular passages from their context in order to make them mean what he wanted. He desired to deal with the matter as he would deal with it if he were taking part in a scientific discussion, a discussion between men of good faith engaged, not in pleading a cause, but in examining with the utmost sincerity and good faith.

The Declaration of London’s entry into the League of Nations. He would not be saying anything other than would be accepted as an article of faith by any Swiss or any person familiar with Switzerland, its institutions, traditions and policies, when he affirmed that there could be no doubt that, without the Declaration of London, the plebiscite of May 16th, 1920, would have produced an absolutely negative result — supposing always that the Federal Council, of which he had then been a member, would have dared submit to the Swiss people a proposal to enter the League unless that proposal at the same time safeguarded their neutrality.

The question of neutrality had played a vital, capital, essential part in Switzerland’s whole policy. The Confederation had sent to London two eminent representatives, M. Gustave Ador and M. Max Huber, the latter subsequently President of the Permanent Court of International Justice. Acting on the instructions of the Federal Council, the two envoys had explained Switzerland’s special position to the Council, which had been presided over by Lord Balfour.

The Declaration of London began by asserting what he himself believed, that the principle of neutrality was, generally speaking, incompatible with the principles of the League of Nations. Notwithstanding, the Declaration, after noting that incompatibility, went on to say:

"The Council . . . recognises that Switzerland is in a unique situation, based on a tradition of several centuries, which has been explicitly incorporated in the Law of Nations; and that the Members of the League of Nations, signatories of the Treaty of Versailles, have rightly recognised by Article 435 that the guarantees stipulated in favour of Switzerland by the Treaties of 1815 and especially by the Act of November 20th, 1815, constitute international obligations for the maintenance of peace."

The neutrality of Switzerland was a thing unique, a condition recognised as one of the foundation stones of peace or, more exactly, a condition conducive to and consonant with the interests of general peace.

The Declaration of London went on to state that the Council nevertheless expected that Switzerland would not refuse to perform the acts of solidarity which were indispensable for the defence of "the high principles of the League". Explicit reference was made to the economic and financial measures which might in future be applied against a Covenant-breaking State, and due note was taken of the fact that the Swiss delegation, speaking on behalf of the Federal Government, had in principle agreed to co-operate in such sanctions and such measures. That was what the Federal Council had tried to do in the present case, as he had had the honour of showing at the morning meeting.

As to what might be called military neutrality — an expression which had always appeared to him to be somewhat inept and inadequate — the Declaration stated that Switzerland had no obligation to take part in military action. She was under no obligation to permit the preparation of military enterprises within her territory; and she was entitled to prevent the passage of troops through her territory, even of troops serving the cause of the League of Nations.

The Declaration then went on as follows:

"The Council recognises that the perpetual neutrality of Switzerland and the guarantee of inviolability of her territory as incorporated in the Law of Nations, particularly in the Treaties and in the Act of 1815, are justified by the interests of general peace and as such are compatible with the Covenant."