SEVENTH MEETING.

Held on Wednesday, December 11th, 1935, at 4 p.m.

Chairman: M. Westman (Sweden).

19. Examination, with the Assistance of Representatives of Various Governments, of Certain Points connected with the Co-ordination Committee’s Proposals (continuation).

Switzerland (continuation).

M. Stucki, delegate of Switzerland, came to the table of the Committee.

The Chairman reminded the Committee that the experts had had two letters from the Swiss Federal Government. The first of these, a summary of which was contained in the Minutes of the third meeting of the Committee of Experts, was to the effect that the final settlement of the question of the goods trade between Switzerland and Italy was dependent on the issue of the negotiations then proceeding with Italy on the compensation system. If he was correctly informed, the negotiations between Switzerland and Italy had now been concluded, and the experts would be interested to know the final arrangement reached.

M. Stucki (Switzerland) wished, in the first place, to correct certain statements which had appeared in the Press in regard to the communications exchanged between the experts and the Federal Government. It was not correct that a letter had been sent to the Federal Government requesting the presence of its representative at Geneva. M. Stucki had merely received a telephone call from M. de Bordes on behalf of Mr. Loveday (Secretary of the Co-ordination Committee), inviting him to come to Geneva in order to give explanations on certain points. No invitation had been addressed to the Swiss Government itself. Further, it was not true that the Swiss Government had declined to send a representative to Geneva. Being at the moment over-run with work, M. Stucki had stated, on the occasion of the telephone call, that it was materially impossible for him to come to Geneva; he had sent a personal letter in answer to the questions put by the Secretariat, and nothing further had happened.

On the other hand, it was quite true that, in his first letter, he had made a reservation, since, at the time the letter was sent, the negotiations at Rome had not yet been concluded. The system which Switzerland had contemplated in connection with Proposal III was based on the idea that all direct payments to Italy must cease, so as to prevent the latter from obtaining any foreign exchange surplus. In other words, the object was to arrange for a compensation system under which Italy would have no opportunity of procuring foreign exchange from her continued trade with Switzerland.

A clearing agreement on those lines had now been concluded, and the text of it was at the experts’ disposal. It had, moreover, been extremely difficult to conclude that agreement, and the negotiations had been on the point of being interrupted three times, because the Italians appreciated more clearly than did certain delegates who had expressed their views at Geneva the significance of the attitude Switzerland proposed to adopt in relation to Italy as regards Proposal III. The Italians had, from the outset, laid stress on the fact that they had very little interest in concluding a clearing agreement with Switzerland, if the effect of the agreement was to be to deprive Italy of a surplus which, hitherto, she had always had. The Swiss negotiators had nevertheless carried their point, and the clearing agreement resulting from the Rome conversations was, as he saw it, entirely consistent with the undertakings assumed by Switzerland. Those undertakings, M. Stucki recalled, were to deprive Italy of the foreign exchange surplus accruing from Italian trade with Switzerland (see the note of October 28th, 1935), to prevent foreign exchange payments to Italians (see the Decree of November 18th), and to maintain the trade between the two countries within the limits of 1934, the most recent year available for purposes of comparison.

The experts very properly asked what Switzerland was going to do as regards the difference between Italian imports and Swiss exports. This deficit on the trade balance with Italy, which amounted to 40 million Swiss francs in 1934, might be put at 15 or 16 millions for 1935, if all went well. The difference in question might, in fact, be less, seeing that, on the one hand, prices were rising in Italy and, on the other hand, the purchasing power of Switzerland was decreasing; but in any case Italy would not be in a position to benefit by it, since the whole of it was reserved to meet Swiss claims. That, M. Stucki contended, was the essential point. In passing judgment on the attitude of Switzerland, the dominant motive must not be jealousy. The point to be determined impartially was whether Switzerland had or had not faithfully carried out her undertakings. The answer was that 80 % of all payments made in Switzerland to the National Bank were retained in payment for goods exported to Italy, while 20 % were allocated to pay for part of the interest due by Italian debtors to Swiss citizens in respect of financial claims.

1 See page 26.
2 Document No.: Co-ordination Committee/58.

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The aim of the Federal Government had been to reserve the amounts representing the excess of Italian imports — amounting, in theory, to 15 or 16 millions, but likely, in fact, to be less — for the payment of arrears of commercial claims in connection with deliveries of goods effected before November 18th, 1935. The clearing agreement itself made no provision to that effect, but the commercial claims had been covered by a special agreement.

To sum up : before Proposal III was applied by Switzerland on the lines just indicated, Italy was deriving a foreign exchange surplus from her trade with Switzerland and, as Swiss traders made regular payments for their purchases while Italian traders allowed arrears of debts to accumulate, Switzerland was now in a position, not merely to eliminate the foreign exchange surplus from which Italy benefited, but also, by the repatriation of her assets in Italy, to render unavailable certain sums with which Italy might have been able to purchase, for example, machine-guns in Germany.

The Chairman said that the account given by M. Stucki with regard to the communications which had taken place between himself and the Secretariat were entirely in accordance with the account which M. de Bordes had given to the Committee.

M. SUETENS (Belgium), Rapporteur on questions connected with Proposal III, pointed out that the experts' duty was to ascertain, from the purely technical standpoint, how the different countries were applying the Co-ordination Committee's proposals. They could not, of course, forget that Switzerland was in a special situation in relation to Italy, as had been explained by M. Motta in particular.

M. Stucki had said, and it was undoubtedly true, that in balancing her trade with Italy, Switzerland was depriving that country of certain foreign exchange receipts amounting to some 15 million Swiss francs or 60 million lire. That certainly was no negligible achievement. But M. Suetsens could not help observing that, if Switzerland applied Proposal III in its entirety and, in consequence, prohibited all imports whatsoever of Italian goods into Switzerland, she would be depriving Italy, not only of the 15 million gold francs' worth of foreign exchange, but also of the equivalent of the Italian imports into Switzerland. Under the present system, Italy was able to keep those foreign exchange receipts and use them for war purchases. He would not, however, press that point, since the Committee of Eighteen and the Co-ordination Committee had not done so.

If he had rightly understood M. Stucki, the latter had said that Italy would repay, between the present date and the month of May, Swiss commercial claims amounting to 20 million Swiss francs. That payment was therefore a payment of transfer arrears, and the question arose whether the transaction was in accordance with the November resolution, which established what was virtually a common front in this matter of the recovery of outstanding claims as between all the sanctionist States, precluding separate action by individual States in the matter.

Mr. SHACKLE (United Kingdom) would have thought it possible, at any rate theoretically, that Italy, having lost her markets in so many other countries, might have to make forced sales of her products at low prices and might therefore send a considerable volume of exports to Switzerland.

He asked what type of measures the Swiss Government would propose to take to prevent any further increase, should the 1934 level be reached.

M. STUCKI (Switzerland), referring to M. Suetsens' remarks with regard to the advantage, from the sanctions point of view, of Switzerland applying Proposal III in its entirety, observed that a distinction must be made in that connection between two problems, one economic in character, the other financial. There could be no doubt that, from an economic, social and labour point of view, Italy would suffer more if Switzerland applied Proposal III in its entirety. But was that the object in view? The Swiss delegation had always understood that the measures for which Proposal III provided were not designed to be aggressive in character, and that their object was not to touch the Italian people, but to prevent Italy from procuring foreign exchange with which to make war. If those premises were accurate, M. Suetsens' argument fell to the ground. "Compensation" might be arranged at several levels. If it were real compensation — that was to say, if there were no balance in favour of either country — the object was, in any case, attained. But, under the system applied by Switzerland, Italy did not receive, either in lire or in Swiss francs, an equivalent for her exports to Switzerland.

M. Suetsens had argued that Italy nevertheless economised on foreign exchange. That, however, was not a new point. It had already been raised by M. Litvinoff, and M. Stucki, in replying to that observation by the Soviet delegate, had pointed out that Italy, like a number of other countries, did not merely import goods she required, but also goods which she was obliged to accept if she wished to sell her products to other countries. M. Stucki had thought that his reply had met with general acceptance. M. Litvinoff then added that it would be desirable to consider whether what Italy received was of assistance to her in making war.

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1 Document No.: Co-ordination Committee/89.
3 Document No.: Co-ordination Committee/40.
by means of her exports, or from importing goods which she required to make war, was a policy which fitted perfectly into the framework of the sanctions.

M. Stucki was anxious next to remove a misunderstanding for which it was possible that his own statements were responsible. Switzerland had financial claims on Italy to a total amount of over 500 million Swiss francs. From the legal standpoint, the interest service on those claims should amount to 25 to 30 million gold francs per annum. That being so, the 15 million gold franc surplus in favour of Italy, which might result from Italian trade with Switzerland, would not be used to pay off arrears of those commercial claims, but to pay interest of from 2 ½% to 3% — it would certainly not be more — on Swiss capital blocked in Italy.

M. Suetens had had the impression that Switzerland, by concluding the clearing agreement with Italy, had abandoned the common front which it was intended to establish by the resolution of November 2nd, 1935, in this matter of outstanding claims. In that connection, M. Stucki must point out that, when the question of clearing and compensation agreements had been under discussion, he had drawn attention to the fact that the compensation system adopted by Switzerland did not lend itself to the proposed action, and he had made a reservation to that effect which was included in the Minutes. The Swiss delegation had always acted with the most complete frankness. It had never concealed the fact that it proposed to make a settlement with Italy in regard to the compensation issues arising between Switzerland and that country.

M. Stucki could understand that certain of the experts might have preferred Switzerland to conclude a purely commercial compensation agreement operating directly on the import and export of goods. In that connection, he might recall the question asked by M. Coulondre as to whether Switzerland proposed to cut down her trade with Italy to the level of Swiss exports to Italy, or to raise it to the level of Italian exports to Switzerland. To that, the Swiss delegation had replied that the Federal Government did not propose to confine itself to either of those solutions, and that its object was to maintain trade at its habitual level. He was then asked whether he would agree to the surplus of Italian exports, and he had explained the Federal Government's attitude on this point. M. Stucki now wondered whether, by adopting some other system, Switzerland could have done more to diminish Italy's capacity for aggression, but he did not think so. Even if Swiss exports had been raised to the level of Italian exports, he did not see how Italy would have benefited.

Passing to the questions put by Mr. Shackle, he observed that there were two points to be kept separate. Mr. Shackle had first asked him, “Are you sure, having regard to the exceptional position in which Italy finds herself, that she will not attempt to increase her exports to Switzerland by offering Italian goods at prices lower than those asked by other countries?” Italy, Mr. Shackle had pointed out, had an interest in replacing, by increased sales to Switzerland, exports she was no longer able to make to countries now closed to her. Secondly, Mr. Shackle had asked, “What would Switzerland do in that case to fulfil the obligations assumed by her at Geneva?”

The last time the question of the system contemplated by Switzerland had been discussed at Geneva, M. Stucki was under the impression that Italy, finding herself deprived of almost all her other markets, would endeavour to double, or even treble, her exports to Switzerland, and would be led, accordingly, to increase her imports of Swiss products. He had said, therefore, that Switzerland would not do business which would operate to the disadvantage of the countries applying Proposal III. Since then, he had had a conversation with the well-known Austrian economist, Dr. Schiller, who had said that he, for his part, did not believe in the possibility of such an increase. He had expressed his conviction that Austria, at any rate, would not even be able to maintain her exports to Italy at their existing level.

M. Stucki now shared Dr. Schiller's views, for he believed that a people and Government with so much discipline and resolution as the Italian people and Government would not, in present circumstances, increase, under any consideration, their imports of non-essential goods. They would concentrate all their means to purchase on products of general interest to the country. That being so, States exporting luxury articles had little chance of increasing their sales to Italy. As for the future development of imports, it was sufficient to refer to the latest trade figures. For some time past, Switzerland had neither issued prohibitions of any importance nor raised her Customs duties and yet imports of goods into Switzerland had heavily declined as a result of the crisis.

Moreover, the greater part of Italian exports to Switzerland were subject to quotas — quotas which many considered anything but liberal. As regards those imports which, in theory, were still free, a daily watch was kept by the Swiss Customs authorities. Should it be found that imports of particular products not subject to quotas were increasing, Switzerland, which intended scrupulously to observe the obligations she had assumed, would immediately take the requisite action.

In that connection, M. Stucki recalled the discussion on the question of supervising exports with a view to avoiding diversion of trade, as a result of which it had been decided that the United Kingdom, among other countries, should supervise certain of its exports, and take the requisite action in the event of consignments of such goods to particular countries exceeding the normal limits. Switzerland, he announced, was prepared to undertake the same obligation in respect of imports into Swiss territory of Italian products not subject to quotas.

Mr. Shackle (United Kingdom) thought the object of Proposal III was not, as M. Stucki had implied, to prevent Italy from making use of her export surplus, but to prevent her from making use of any of her exports to buy war material.

It was not clear to him that Swiss exports to Italy would be of the same character in the future as in the past. There was a demand from Italy for special necessities, and the character of the trade might change. Instead of exporting luxuries, Switzerland might export other goods needed by Italy.

As to the proposed limitation of Swiss exports to Italy to the 1934 level, was it to be by value, a global limitation covering all commodities, or a limitation, class by class, of particular classes of commodities? If it were class by class, the character of Swiss exports to Italy might be the same as in the past, but, if it were simply a global limitation by value, the character of the trade might be completely changed.

M. Suetens (Belgium), Rapporteur on questions connected with Proposal III, observed that, according to M. Stucki's view, a country would be able to say that it was applying Proposal III if it made arrangements to see that Italy did not derive any foreign currency from her trade with it and if it did not send her any products necessary to make war. M. Suetens was not convinced by the Swiss delegate's arguments. As regards Switzerland, he thought that Italy might buy in certain countries the goods she needed for the war with the foreign exchanges she had been able to save in her commercial dealings with Switzerland.

In brief, after listening to M. Stucki's statement, M. Suetens thought that Switzerland might be regarded as having applied the sanctions in the way that appeared to her best suited to her interests and her special situation, and, moreover, in conformity with the reservations made in the Co-ordination Committee and the Committee of Eighteen.

M. Stucki (Switzerland) fully realised that the idea on which the United Kingdom proposal, now Proposal III, had been based was to prevent, not merely export surpluses, but all Italian exports that might be used for buying goods necessary for the war. Could it, however, he said that Italy could obtain the products she needed for the war by making use of her exports to Switzerland? By no means. There were certain proposals which prohibited exports to Italy of arms, war material and products required for the war. Switzerland's other possible exports to Italy were purely luxury articles, as might be seen by examining the detailed statistics of Swiss exports to Italy.

Mr. Shackle had laid stress on the fact that Switzerland's undertaking to place a global limit on Italian exports to Switzerland did nothing to remove the danger of a redistribution of the goods exported, whereby the character of the trade between Italy and Switzerland would be completely changed. It was true that the undertaking given by Switzerland was a global one and related to value; but did not the experts find a guarantee in the fact that, in this matter, the interests of Switzerland and the cause of sanctions were entirely concordant? That this was so was proved by certain facts. In his first letter, M. Stucki had stated that Switzerland reserved her right, as her interests dictated, to operate the limitation by category or even by product. As regards the clearing system, Switzerland had had the same experience with Germany as France. Germany had endeavoured to export to Switzerland articles the main value of which was represented by work, whereas she imported from Switzerland only articles which had undergone as little processing as possible. Switzerland's situation vis-a-vis Italy, as it resulted from the clearing agreement concluded between the two countries, would be very similar to her situation vis-a-vis Germany. Switzerland would make the utmost efforts to prevent any change in the character of her existing trade with Italy. Moreover, the Swiss statistics were published very rapidly, and it would be possible to ascertain very quickly the nature of the goods exchanged between Switzerland and Italy.

The Chairman thanked M. Stucki for his statements. The experts would examine the Swiss statistics, as they had been invited to do, and, if they found any apparently abnormal trend in them, they would ask M. Stucki for further explanations.

The Chairman then referred to certain comments made by the Sub-Committee on Proposal II. In the first place, Article 2 of the Federal Council's Decree on financial measures, dated November 12th, 1935, stated that, should the application of Proposal II entail serious consequences for "branches", "agencies" or "participations" of Swiss firms in Italy, the National Bank might authorise certain limited loans. The Sub-Committee pointed out that the word "branches" would appear to cover Italian branches of Swiss firms, the word "agencies" to cover persons not legally connected with Swiss firms, and the word "participations" to cover Italian firms in which Swiss firms held the whole or part of the capital. The Sub-Committee asked whether that was, in fact, the Federal Council's conception of the matter.

The Chairman noted that, in his letter of December 9th, M. Stucki had replied in the following terms to the questions put by the Sub-Committee on Proposal II:

"With regard to Article 2 of the Federal Council's Decree of November 12th, 1935, concerning the financial measures to be taken in respect of Italy, your interpretation of the expressions 'branches' and 'agencies' is correct. The meaning you give the word

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'participations', on the contrary, seems to me somewhat restricted, more especially if it were to be held that the word 'capital' meant only 'capital nominal' and excluded other forms of financial participation (e.g., loans, credits, etc.).

"Needless to say, the highest importance must be attached to the fact that Article 2 of the Federal Council's decree above mentioned does not confer a subjective right on any Swiss participation, but means that the Swiss National Bank only may authorise exceptions after a careful enquiry into each case. The Bank will then allow such exceptions only when it has been proved that Swiss interests would sustain extremely serious loss and when it has been established beyond all doubt that the derogations from the financial sanctions taken in respect of Italy will not be in any way beneficial to the latter country's interests."

On another point, the Sub-Committee on Proposal II said:

"The Government of the Principality of Liechtenstein states that the decision of the Federal Council of Switzerland, dated November 12th, 1935, on financial measures adopted by Switzerland is also applicable to the territory of the Principality. The decision of the Federal Council regarding certain exports to Italy specifically states in Article 6 that the decision is applicable to the territory of the Principality. There is, however, no such provision in the decision regarding Proposal II. In these circumstances, is the territory of Liechtenstein covered as regards Proposal II?"

M. Stucki's reply to this point (letter of December 9th) was:

"With regard to the application of the sanctions taken by Switzerland in the territory of the Principality of Liechtenstein, attention should be drawn to the following. Under the Customs Union Treaty between the Principality and Switzerland, the Federal Council is empowered to take economic measures which apply equally and without further formality to the territory of the Principality of Liechtenstein. That is why it was able, in regard to Sanction No. IV, to order that the provisions of its decrees should be applicable to the Principality without there being any need to consult the Government of the latter. As against that, the Principality possesses complete autonomy in financial matters and has had to examine separately and to decide for itself that the measures taken by Switzerland would be applicable to its territory. That decision appears in the Princecely Government's Order of November 12th, 1935, regarding which the Federal Council has received the note of the 5th instant appended hereto."

Mr. Brittain (United Kingdom), Rapporteur on questions connected with Proposal II, thought that, in examining the Swiss text, the Sub-Committee on Financial Questions had been anxious to make sure of the scope of the exception, as it seemed to go further than the legislation of the other countries, in which there was no such provision.

The explanations given in M. Stucki's letter showed that the extent of the exception would probably be small. At the same time, he would be glad of a little more information about M. Stucki's statement that any exemptions allowed would not benefit Swiss interests. By way of example, Mr. Brittain pointed out that, if there were two Italian firms in one of which interests were held partly by Italians and partly by foreigners other than Swiss. In the former case, it might clearly happen that, if credits or financial aid were denied to the former, it would probably be small. At the same time, he would be glad of a little more information about M. Stucki's statement that any exemptions allowed would not benefit Swiss interests.

The only point of disagreement concerned, he believed, the word "participation". Mr. Brittain seemed to have had in mind the case of Italian firms whose shares belonged partly to Swiss and partly to Italians and to have compared it with that of Italian firms whose shares were held partly by Italians and partly by foreigners other than Swiss. In the former case, the clause as to serious consequences was operative, while in the second it was not. M. Stucki admitted that there was a difference here, but it was hardly for him to judge the provisions.

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1 See page 54.
taken by the other sanctionist countries. This first observation related to the legal aspect of the matter. From the practical aspect, he wished to point out that the letter he had sent Mr. Loveday had been dictated in German and contained a translator's mistake, since the equivalent of the German expression "verantwortliches Kapital" which he had used was not "capital nominal", but, for want of a better expression, "capital responsable". To prove to the experts the complete loyalty of Switzerland, he proposed that, if Switzerland made use of the reservation as to serious consequences, she would notify Geneva of her decisions. Such a decision taken by Switzerland in the exercise of her sovereignty could not, of course, be ruled out by any of the League bodies, but the representatives of the countries at Geneva would thus be able to form an accurate view of the position.

M. COUVE DE MURVILLE (France) asked what were the criteria by which the Swiss National Bank would judge whether a credit might or might not be of benefit to Italy. Proposal II prohibited all contributions of capital to Italy. If, however, Swiss interests were represented in a particular company and if, owing to the presence of those interests, Switzerland sent capital to that company, could it be said that such a transaction was not a contribution of capital to Italy?

M. STUCKI (Switzerland) said that the Swiss delegation had entered a reservation on that point at the outset of the discussions on Proposal II. That reservation had not been challenged. He might therefore have refused to go into details, but he had given the experts all the explanations for which he had been asked, and he had promised to present a report concerning all the exceptions that might be granted by Switzerland to obviate "serious consequences" for her nationals settled in Italy; that report would enable delegates to appreciate Switzerland's attitude from, of course, the moral point of view. Further it was impossible to go, and, for his part, he did not think that Switzerland could be asked to leave without resources her nationals employed in a Swiss firm's branch in Italy.

The CHAIRMAN explained that the experts were only putting questions to the Swiss delegation in order to find out the way in which the reservation made by that delegation applied.

Mr. BRITTAIN (United Kingdom), Rapporteur on questions connected with Proposal II, pointed out that there was a doubt both as to "participations" and as to "représentations" which, it seemed, referred to agencies in Italy that might be completely Italian firms.

M. STUCKI (Switzerland) agreed that the divergence concerned the word "représentations" as well. That being so, the decisions taken with regard to "représentations" (agencies) would also be communicated to Geneva for consideration upon the same terms as the decisions taken in regard to "participations".

The CHAIRMAN, after thanking M. Stucki again for his explanations, pointed out that the decree passed by Liechtenstein had not been enclosed in his letter of December 9th.

M. STUCKI (Switzerland) said that this was due to an inadvertence. The decree merely stated that the Liechtenstein Government had taken the necessary measures to apply Proposal II.

M. Stucki withdrew.

20. Examination of the Draft Report to be submitted to the Chairman of the Co-ordination Committee (continuation).

INFORMATION REGARDING PROPOSAL V (continuation).

M. SOUBBOTITCH (Yugoslavia), Rapporteur for the small drafting Committee instructed to draft the paragraphs to be inserted in the report in connection with Proposal V, read the relevant paragraphs, which were adopted, with a slight change suggested by the Secretary of the Co-ordination Committee.
EIGHTH MEETING.

Held on Thursday, December 12th, 1935, at 10.30 a.m.

Chairman: M. WESTMAN (Sweden).

21. Examination and Adoption of the Revised Text of the Draft Report to be submitted to the Chairman of the Co-ordination Committee (continuation).

The Committee examined the revised text of its draft report to the Chairman of the Co-ordination Committee.

After some discussion, the report was adopted with various minor amendments. ¹

22. Close of the Session.

The CHAIRMAN declared the session closed.

¹ For the final text of the report, see page 12.
ANNEX I.

TERRITORIAL DIVISION OF THE WORLD: DOCUMENT PREPARED BY THE SECRETARIAT.

Africa.

Egypt
Ethiopia
Liberia
Union of South Africa

Territory under international administration:
Tangier

Dependencies, Protectorates, Colonies, etc.:

Belgian:
Belgian Congo

British:
British West Africa:
Gambia
Gold Coast
Nigeria
Sierra Leone
Basutoland
Bechuanaland
Kenya
Mauritius and dependencies
Nyasaland
Northern Rhodesia
Southern Rhodesia
St. Helena and dependencies
Seychelles
British Somaliland
Swaziland
Uganda
Zanzibar

Anglo-Egyptian:
Sudan

French:
French Central Africa:
Chad
Gaboon
Middle Congo
Ubangui-Chari

French West Africa:
Dakar and dependencies
Senegal
Mauritania
French Guinea

Ivory Coast
Dahomey
French Sudan
Niger

Algeria
Madagascar and dependencies
Morocco (French zone)
Reunion
Somali Coast
Tunisia

Italian:
Eritrea
Libya:
Tripolitania
Cyrenaica
Somaliland

Portuguese:
Angola
Cape Verde Islands
Portuguese Guinea
Mozambique:
"Province"
Manica and Sofala
St. Thomas and Prince

Spanish:
North Africa:
Spanish Guinea
Morocco (Spanish zone)
Río de Oro (with Ifni)

Mandated Territories:

Belgian:
Ruanda Urundi

British:
Cameroons (British mandate)
Tanganyika Territory
Togoland (British mandate)

French:
Cameroons (French mandate)
Togoland (French mandate)

South African:
South West Africa
**America.**

**NORTH AMERICA.**

- Canada
- Newfoundland
- United States

**Dependencies, Colonies, etc.:**

- Danish:
  - Greenland

- French:
  - St. Pierre-et-Miquelon
  - Newfoundland: Labrador
  - United States: Alaska

**MEXICO, CENTRAL AMERICA AND WEST INDIES.**

- Mexico
- Costa Rica
- Cuba
- Dominican Republic
- Guatemala
- Haiti
- Honduras
- Nicaragua
- Panama
- Salvador

**Dependencies, Protectorates, Colonies, etc.:**

- British:
  - British West Indies:
    - Bahamas
    - Barbados
    - Windward Islands:
      - Grenada
      - St. Lucia
      - St. Vincent
    - Leeward Islands:
      - Antigua
      - Dominica
      - Montserrat
      - St. Christopher and Nevis
      - Virgin Islands
    - Jamaica:
      - Caiman Islands
      - Turks and Caicos Islands
  - Bermuda
  - British Honduras
  - Trinidad and Tobago

**French:**

- Guadeloupe
- Martinique

**Netherlands:**

- Curaçao

**United States of America:**

- Virgin Islands
- Panama Canal Zone
- Porto Rico

**SOUTH AMERICA.**

- Argentina
- Bolivia
- Brazil
- Chile
- Colombia
- Ecuador
- Paraguay
- Peru
- Uruguay
- Venezuela

**Dependencies, Colonies, etc.:**

- British:
  - Falkland Islands and dependencies
  - British Guiana

- French:
  - French Guiana
  - Inini Territory

- Netherlands:
  - Surinam (Dutch Guiana)

**Asia.**

- Afghanistan
- Arabia (autonomous States)
- Bahrein Islands
- Bhutan
- China and dependencies:
  - China
  - Outer Mongolia
  - Tibet
- India (British):
  - British Provinces
  - Indian States
- Iran
- Iraq
- Japan
- Nepal
- Philippines
- Siam
- Turkey
- Union of Soviet Socialist Republics

**Dependencies, Protectorates and Colonies**

**British:**

- Aden and Perim:
  - Kuria Muria Islands
  - Socotra
- British Borneo:
  - North Borneo
  - Brunei
  - Sarawak
- Ceylon:
  - Maldive Islands
- Cyprus
- Hong-Kong
- British Malaya:
  - Straits Settlements and dependencies
  - Federated Malay States
  - Unfederated Malay States

**French:**

- Indian Settlements
- French Indo-China:
  - Annam
  - Cambodia
French Indo-China (continued):
  Cochinchina
  Laos
  Tonkin
  Kwangchou Wan

Italian:

Ægean Islands

Japanese:
  Korea (Chosen)
  Formosa (Taiwan):
    Pescadores Islands
  Kwantung
  Sakhalin (Karafuto)

Netherlands:
  Netherlands Indies:
    Java and Madura
    Outer provinces

Portuguese:
  Portuguese India
  Macao
  Timor

Mandated Territories:

British:
  Palestine and Trans-Jordan:
    Palestine
    Trans-Jordan

French:
  Syria and Lebanon:
    Syria
    Jebel Druse
    Latakia
    Lebanese Republic.

Mandated Territories:

Oceania:

Australia
  New Zealand

Dependencies, Protectorates, Colonies, etc.:

Australian:
  Norfolk Islands
  Papua

British:
  Fiji Islands
  Gilbert and Ellice Islands
  British Solomon Islands
  Tonga

United States of America:
  Guam
  Hawaii
  American Samoa

French:
  French Settlements
  New Caledonia and dependencies

Franco-British:
  New Hebrides
  New Zealand:
  Cook Islands, Tokelau, etc.

Mandated Territories:

Australian:
  New Guinea

British:
  Nauru

Japanese:
  Caroline, Marianne and Marshall Islands
  New Zealand:
  Western Samoa.
ANNEX 2.

Co-ordination /Experts/4.

EXECUTION OF PROPOSAL I (IA)

(EXPORT OF ARMS, AMMUNITION AND IMPLEMENTS OF WAR).

REPORT BY M. JEAN PAUL-BONCOUR (France), Rapporteur.

November 27th, 1935.

1. Number of Replies.

Since the Co-ordination Committee’s second session (October 31st-November 2nd, 1935), the replies previously received have been increased by a reply from a further State (Dominican Republic).

The total number of States having sent replies now amounts to fifty-three, which represents all the States Members of the League of Nations except the two parties to the dispute and the three States (Albania, Austria and Hungary) which are not participating in sanctions.

Of the non-member States to which the text of the proposal was sent by the Chairman of the Co-ordination Committee, the United States of America, Brazil and Egypt have sent replies. The question arises when and how these replies and, more generally, the information possessed concerning the attitude of non-member countries in the matter of the exportation of arms should be considered.

2. Classification of the Communications received from States.

Subsequent to the report submitted by the Legal Sub-Committee to the Co-ordination Committee, of which the latter took note on November 2nd, 1935, the Secretariat has received a number of supplementary details. At present the situation may be summarised as follows:

The following forty-seven States have taken steps to put Proposal I definitely into force:

Union of South Africa, Argentine Republic, Australia, Belgium, United Kingdom, Bulgaria, Canada, Chile, China, Colombia, Cuba, Czechoslovakia, Denmark, Dominican Republic, Ecuador, Estonia, Finland, France, Greece, Honduras, India, Iran, Iraq, Irish Free State, Latvia, Liberia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Panama, Peru, Poland, Portugal, Roumania, Siam, Spain, Sweden, Switzerland, Turkey, Union of Soviet Socialist Republics, Uruguay, Venezuela, Yugoslavia.

Paraguay is still the only State Member—apart from the parties to the dispute, and Albania, Austria, and Hungary—which has replied in the negative; but it should be observed that the following countries—Afghanistan, Bolivia, Guatemala, Haiti and Salvador—have not yet supplied such information as would adequately show that measures have, in fact, been adopted. The Sub-Committee will have to consider whether the importance of these latter States from the point of view of the trade in arms justifies further requests for details.

3. Communication of Legislative and Other Texts.

In adopting Proposal I, the Co-ordination Committee requested Governments to inform the Committee, through the Secretary-General of the League, within the shortest possible time, of the measures taken in conformity with the provisions contained in the said proposal.

In forwarding this proposal, the Secretary-General stated (see Circular Letter 157, 1935) that it would be a convenience to the Committee if each Government would send the actual text of the laws, decrees, proclamations or other instruments embodying such measures or putting them into force.

1 See Official Journal, Special Supplement No. 146.
2 Document No.: Co-ordination Committee/80(a).
3 As regards Austria, certain Press reports have announced that measures have been taken by the Austrian Government regarding the control of the trade in arms, but no official information on the subject has been received by the Secretariat. It will be for the Sub-Committee to decide whether the Austrian representative on the Co-ordination Committee should be asked for a statement on the subject.
4 Document No.: Co-ordination Committee/49.
5 Document No.: Co-ordination Committee/98.
6 Document No.: Co-ordination Committee/71.
7 Document No.: Co-ordination Committee/89.
9 To come into force on December 1st, 1935.
10 Document No.: Co-ordination Committee/40.
Lastly, in making a similar request in regard to other proposals (see Circular Letter 193, 1935), the Secretary-General stated that it would be helpful if these texts could be accompanied by a summary of their main provisions in French or English.

As regards Proposal I, out of the forty-seven States which have already put the measures into force or are on the point of doing so, twenty-one have sent the Secretariat the relevant texts, eleven States (Colombia, Dominican Republic, Finland, India, Iran, Latvia, Mexico, New Zealand, Nicaragua, Roumania and Turkey) have announced the despatch of texts.

As regards the fifteen other States, the following distinction should be drawn:

1. States which have adopted measures for the application of general laws already in existence: Denmark, France. The respective laws of these States are already at the disposal of the Secretariat. They afford the necessary guarantees.

2. States which have adopted special legislative and administrative measures the texts of which have been neither announced nor communicated: Argentine Republic, Canada, Liberia, Lithuania, Luxembourg, Spain, Venezuela. It will be for the Sub-Committee to decide whether the communication of these texts should be insisted upon.

3. States which have not specified the nature of the measures adopted to put Proposal I into force: Australia, Ecuador, Honduras, Panama, Peru. It will be for the Sub-Committee to decide, taking into consideration the relative importance of these countries as regards the trade in arms, whether a special request should be made to their Governments to supply details on this subject.


Eighteen States (Union of South Africa, Belgium, Bulgaria, China, Denmark, Estonia, Finland, France, Iraq, Irish Free State, Netherlands, Poland, Portugal, Siam, Spain, Switzerland, Union of Soviet Socialist Republics, Yugoslavia) have expressly stated that the measures taken or about to be taken for the putting into force of Proposal I apply to the articles enumerated in List I A of October 16th, 1935.

In the case of thirty States (Afghanistan, Argentine Republic, Australia, Bolivia, Canada, Chile, Colombia, Dominican Republic, Ecuador, Greece, Guatemala, Haiti, Honduras, India, Iran, Latvia, Liberia, Lithuania, Luxembourg, Mexico, New Zealand, Nicaragua, Norway, Panama, Peru, Roumania, Salvador, Turkey, Uruguay, Venezuela), it is not yet known whether the putting into force of Proposal I applies to the articles in List I A or to those in List I; either because the Secretariat has not yet received the text announced (Iran, Latvia, Mexico, Nicaragua, Roumania, Turkey, Venezuela), or because these texts are not accompanied by detailed lists of the materials to which the regulations apply (Norway and Uruguay).

Four States have slightly modified List I or I A:

United Kingdom:

In Category V, smoke-producing apparatus has been added to paragraph 1. The expression “powder for war purposes and explosives” has been replaced by “explosives of every description”.

Cuba:

States that, for the purposes of the classification of war material, she abides by the provisions of the Convention of June 17th, 1925, regarding the control of the international trade in arms, ammunition and implements of war.

Sweden:

Has adopted a more complete list as regards certain points than List I A (black powder, side-arms, firing apparatus, ammunition carriages, etc.), but not including flame-throwers and armoured trains.

Czechoslovakia:

Specifies “military rifles and carbines” in Category I, paragraph 1, instead of “rifles and carbines”.

General Observations.

The present report does not deal with:

1. Questions connected with the geographical application of the embargo on arms. In the opinion of the Plenary Committee, it would seem that these questions should be temporarily held over until they can be studied as a whole.

2. The special measures adopted, or to be adopted, for the avoidance of indirect supply under the circumstances indicated in paragraph 3 of Proposal I. As certain States have adopted measures for this purpose applying equally to Proposals I and IV, it will be for the Sub-Committee to say whether it prefers that all questions of indirect supply be studied as a whole by the Rapporteur appointed for Proposal IV, or that a separate report be made on the question of the indirect supply of arms.

1 Union of South Africa, Belgium, United Kingdom, Bulgaria, Chile, Cuba, Czechoslovakia, Estonia, Greece, Iraq, Irish Free State, Netherlands, Norway, Poland, Portugal, Siam, Sweden, Switzerland, Union of Soviet Socialist Republics, Uruguay, Yugoslavia.

2 Document No.: Co-ordination Committee/10(c).

3 Document No.: Co-ordination Committee/15(c).

4 Document No.: Co-ordination Committee/23(g).

5 Document No.: Co-ordination Committee/41(c).
EXECUTION OF PROPOSAL I, PARAGRAPH 3
(INDIRECT SUPPLY OF ARMS, AMMUNITION AND IMPLEMENTS OF WAR).

Report by Mr. Shackle (United Kingdom) and M. Wszelaki (Poland), Rapporteurs.

November 28th, 1935.

1. Paragraph 3 of Proposal I, as adopted by the Co-ordination Committee on October 11th, 1935, reads as follows:

"The Governments of the Members of the League of Nations will take such steps as may be necessary to secure that arms, munitions and implements of war, enumerated in the attached list, exported to countries other than Italy, will not be re-exported directly or indirectly to Italy or to Italian possessions."

2. Although this provision does not give so much detail as that contained in Proposal IV B, it is obvious that its purpose is the same — to prevent the nullification, by diversion of traffic, of the effects of the measures taken by Governments to prohibit the exportation of certain commodities to Italy.

As, moreover, the authorities called upon to attend to the execution of the embargo on arms will probably in many cases be the same as those in charge of the execution of the embargo on exports of various raw materials, etc., the measures taken to avoid evasion in the two cases will naturally be closely related, if not identical.

3. It has already been mentioned that several countries — United Kingdom, Iraq and the Irish Free State — have included the legislative provisions for the two kinds of embargo in the same Acts, and that the general stipulations of these Acts are applicable in both cases.

4. As regards other States, the following special remarks may be submitted as regards the measures taken for the carrying-out of Proposal I, paragraph 3. It is obvious that these remarks only apply to the limited number of countries which have, up to the present, forwarded legislative texts or detailed explanations of the measures taken. As regards other States, the Subcommittee will probably desire to continue its enquiries later.

5. The fact that a number of Governments — for instance, Czechoslovakia, Greece, the Netherlands, Siam and the Union of Soviet Socialist Republics — have not made any specific mention of this particular question in the legislative provisions communicated by them is perhaps not surprising. It is certainly not sufficient to prove that the point has been overlooked. As a matter of fact, a considerable part of the action to be taken in order to prevent evasion will be of a purely administrative character and therefore not necessarily brought out in official published texts.

Other countries, such as Norway, have limited themselves to a general statement to the effect that measures have actually been taken, without specifying their nature.

The decision of the Estonian Government, dated October 23rd, 1935, contains a paragraph to the effect that:

"In issuing permits for the exportation or re-exportation of the substances specified in the above-mentioned list, care shall be taken to see that such substances are not exported or re-exported directly or indirectly to Italy or her possessions."

A general indication that paragraph 3 of Proposal I has been taken into account will be found in the texts submitted by the Union of South Africa, Portugal, Roumania, Switzerland, Uruguay and Yugoslavia.

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1 Document No.: Co-ordination Committee/97.
2 Document No.: Co-ordination Committee/37.
3 Document No.: Co-ordination Committee/36(c).
The phrase used in Article I of the Decree promulgated by Cuba — *i.e.*, ¹

to prohibit the exportation from Cuba as well as the re-exportation, transit or
direct or indirect reconsignment in the case of goods from other countries . . .

— does not seem quite clear.

6. It would no doubt be useful if all Governments could see their way to communicate
in due course to the Co-ordination Committee any special measures adopted and indicate
any special difficulties met with. Information as to experience gained in this connection might
be of great assistance to other countries.

7. On the whole, it must be admitted that the Committee is in possession of very little
information about the methods of application of Proposal I, paragraph 3, and it would already,
for this reason, hardly seem advisable to make any observations as to the varying practices in
the different countries.

8. Attention might, however, be called to the practical advantages in this particular
connection of the general licensing system in force in various countries (such as Belgium,
United Kingdom, Denmark, Estonia, France and Sweden). It is obvious that the fact that an
application to the Government is necessary for the export of arms to all countries without
exception — although actual prohibition of exports is, in practice, only applied to certain countries
— gives Governments a greater possibility of observing the movement of trade in arms from its
territory. In the particular case which is occupying the attention of the Committee, the general
licensing system enables a State control to be exercised over the exports to countries that are
not neighbours of Italy.

9. Certain countries, such as France, make the granting of export licences dependent
upon the production of proof that the Government of the territory to which the arms are
consigned approves of the importation or are destined for the Government itself. Sweden only
grants licences for war material intended for warlike purposes in cases in which it is despatched
to Governments.

Such a system obviously gives a considerable guarantee that the Government of the
importing country will, in fact, be able to collaborate in the execution of Proposal I, paragraph 3.

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ANNEX 3.

EXECUTION OF PROPOSAL II (FINANCIAL MEASURES).

REPORT BY MR. BRITAIN (United Kingdom), Rapporteur.

November 28th, 1935.

Proposal II has been adopted by fifty-two countries, and is stated to have been put
into force in forty-two countries.

I.

1. Texts on which the Sub-Committee does not wish to raise any question:

    South Africa, Belgium, Bulgaria, Cuba, Denmark, France, Greece, Iraq, Irish Free State,
    Norway, Poland, Portugal, Roumania, Spain, Union of Soviet Socialist Republics, Yugoslavia.

2. Texts on which questions have been raised:

    Argentine Republic.

Exchange control is forbidden to ² "grant permits for the purchase of foreign currency
intended for subscriptions to loans, the granting of credits and subscriptions to shares, debentures
or similar securities issued by or for the Italian Government or the local authorities or corporations
of Italy".

¹ Document No.: Co-ordination Committee/15(c).
² Document No.: Co-ordination Committee/56(c).
Does this prohibit: (a) loans or credits to Italians in Argentine currency; (b) credits in connection with sale of goods; and (c) loans and credits to Italian persons other than the Italian Government, local authorities or corporations?

United Kingdom.

The explanatory notice 1 issued in connection with Article 3 of the Order-in-Council of October 25th, 1935, states that branches in Italian territory of corporations incorporated in other countries are excluded from the provisions of the order.

The representative of the United Kingdom on the Sub-Committee explained that, in the case of Italian branches of corporations incorporated in the United Kingdom, the order did not affect transactions between the headquarters of the corporation and its Italian branch, but the latter branch would be subject to the provisions of the United Kingdom order. It was assumed that branches in Italy of corporations incorporated in other countries imposing sanctions would similarly be subject to the laws of those countries. As regards branches in Italy of corporations incorporated in countries not imposing sanctions, there appeared to be little practical utility in attempting to control loan and credit transactions, since such control could easily be evaded by making the loan or granting the credit to the headquarters of the corporation.

It should be observed that the question raised here only arises in connection with Italian branches (succursales) of corporations incorporated outside Italy. Loans and credits are prohibited to Italian agencies of United Kingdom corporations and to corporations incorporated in Italy of which United Kingdom corporations hold the whole or part of the capital.

Chile.

It is stated that the existing Chilian legislation gives the International Exchange Commission of Chile powers to give effect to Proposal II. 2 Since the powers of the Exchange Commission presumably relate only to transactions involving transfers from Chilian currencies into foreign exchange, are loans and credits to Italy in Chilian currency prohibited, and is the granting of credits to Italians in connection with the sale of goods prohibited?

Estonia.

The Estonian Government has taken a decision 3 forbidding the Bank of Estonia to carry out the transactions covered by Proposal II. How far has this decision the force of law and how far are individuals in Estonia and institutions other than the Bank of Estonia forbidden to carry out such transactions? As regards the decision relating to the Bank of Estonia, does it apply to loans and credits in Estonian currency?

Finland.

No text has been received, but the Finnish Government states that Finnish banking and financial institutions have given a formal undertaking not to engage in the financial operations deemed to be prohibited under that proposal. 4 Is it proposed to transform this undertaking into a legal obligation by introducing legislation in due course and to extend it to individuals and firms other than financial institutions? How far is the granting of credits in connection with the sale of goods covered by the existing undertaking, and will it be covered by any subsequent legislation?

France.

The representative of France on the Sub-Committee stated that the position of his Government in this subject had been defined as follows: The branches of French banks in Italy can only continue to receive credit facilities to the extent that such credit facilities are indispensable and on the condition that they do not participate for the benefit of the Government, corporations or persons in any of the operations prohibited under the Decree of October 28th, 1935, 5 the French bank concerned being obliged at any time to justify its position.

Honduras.

A decree 6 incorporates the text of Proposal II and directs the issue of the necessary instructions to “the country’s credit establishments and to the Office for the Control of International Exchanges and the Stabilisation of the Monetary System.” How far will this secure that individuals in Honduras do not give credit to Italians in any form?

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1 Document No.: Co-ordination Committee/10(d).
2 Document No.: Co-ordination Committee/47(c).
3 Document No.: Co-ordination Committee/36(f).
4 Document No.: Co-ordination Committee/18(a).
5 Document No.: Co-ordination Committee/17(e).
6 Document No.: Co-ordination Committee/76(b).
Latvia.

The text of the general law authorising the Government to issue ordinances in execution of Article 16 of the Covenant has been received, but not the texts of the ordinances issued thereunder in connection with the various proposals of the Co-ordination Committee.

Lithuania.

A telegram from the Lithuanian Government states that, as from October 31st, 1935, it was to give effect to Proposal II “on the basis of the law regulating the export of capital.” As in previous similar cases, the questions arise whether on this basis loans and credits in Lithuanian currency are prohibited and whether the prohibition will extend to credits in connection with the sale of goods.

Luxemburg.

The Decree of November 18th, 1935, states that the transactions set out in Proposal II will be “subject to a special authorisation to be issued by our Director-General of Finance.” The decree does not therefore appear definitely to prohibit such transactions. What will be the attitude of the Director-General of Finance towards applications for such special authorisation?

Netherlands.

The Sub-Committee had no question to raise on the Decree No. 1 of November 14th, 1935, but it appears that, under the law conferring general powers on the Netherlands Government, certain powers are contemplated in Article 4 to grant exemptions from the provisions of the decrees issued under the law. Could some indication be given of the scope of the powers conferred on the Minister for Foreign Affairs under paragraph 1 of Article 4?

Sweden.

A decree has been issued which prevents credit being given in respect of exports to Italy. The only question which arises in regard to the decree is whether, under Swedish law, it is now forbidden to grant credit to Italians in connection with the sale of goods other than those exported from Sweden to Italy. As regards banking and financial credits, the Swedish Government has obtained an undertaking from the Bank of Sweden and the Swedish private banks to comply with Proposal II, and the execution of this undertaking will be supervised by the competent authority. The question arises whether this undertaking will be transformed into a legal obligation by legislation in due course, and whether it will then be extended to institutions other than banks and to individuals.

Switzerland.

1. Article 2 of the Federal Council’s Decree of November 12th, 1935, regarding financial measures, provides that, if the application of Proposal II entails serious consequences for branches (filiales), agencies (représentations) or participations (participations) of Swiss firms in Italy, the National Bank may authorise certain limited loans. The word “filiales” would appear to cover Italian branches of Swiss enterprises; the word “agencies” would appear to cover persons not legally connected with Swiss firms; while the word “participations” would appear to cover Italian corporations in which Swiss corporations held the whole or part of the capital. Is this a correct statement? If not, what is the exact scope of this exception?

2. Liechtenstein. — The Government of the Principality of Liechtenstein states that the decision of the Federal Council of Switzerland, dated November 12th, 1935, on financial measures adopted by Switzerland is also applicable to the territory of the Principality. The decision of the Federal Council regarding certain exports to Italy specifically states in Article 6 that the decision is applicable to the territory of the Principality of Liechtenstein. There is, however, no such provision in the decision regarding Proposal II. In these circumstances, is the territory of Liechtenstein covered as regards Proposal II?

Czechoslovakia.

Legislation takes the form of two amendments to a Government Decree of February 29th, 1924, regarding the protection of Czechoslovak currency. Are these two amendments

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1 Document No.: Co-ordination Committee/16(e).
2 The relevant texts were communicated subsequently, see Document No.: Co-ordination Committee/16(f).
3 Document No.: Co-ordination Committee/26(a).
4 Document No.: Co-ordination Committee/55(c).
5 Document No.: Co-ordination Committee/28(h).
6 Document No.: Co-ordination Committee/23(h).
7 Document No.: Co-ordination Committee/58(a).
8 Document No.: Co-ordination Committee/41(h).
sufficient to prohibit indirect loans and credits for the benefit of Italy and to prohibit the issue of and subscriptions to capital flotations prohibited by Proposal II?

Venezuela.

The Venezuelan legislation provides that transactions of the kind referred to in Proposal II shall be subject to supervision and control by the Federal Executive or in other cases that advice of such transactions shall be given to the Public Prosecutors in advance. The telegrams summarising this legislation do not make it clear that these transactions are definitely prohibited, either in foreign exchange or in local currency.

II.

The following Governments have not supplied texts on which the Committee could form an opinion. Those marked with an asterisk have notified that texts have been or are being sent:

Afghanistan, Australia *, Bolivia, Canada *, China, Colombia *, Dominican Republic, Ecuador, Guatemala, Haiti, India *, Iran, Latvia (see also under I (2)), Liberia, Lithuania (see also under I (2)), Mexico *, Nicaragua *, New Zealand *, Peru, Salvador, Siam *, Turkey *, Uruguay.

III.

Panama.

Attention should be drawn to the letter dated October 30th, 1935, in which the head of the Panamanian delegation to the League of Nations replied as follows:

"As regards Proposals II, III and IV, which refer to financial and economic sanctions, my Government considers it improbable that any important cases will occur in its territory necessitating the application of those sanctions, and it is not at present in a position to determine the precise form in which such cases might arise. Consequently, it does not appear to be reasonable for my Government forthwith to enact measures of a general character which might not be of any practical utility."

In a further letter dated November 2nd, 1935, it is confirmed that the Government of Panama "undertakes to take such steps as may be necessary according to the course of events".

Paraguay.

A telegram dated October 31st, 1935, states that the Government of Paraguay does not deem it desirable for the present to consider a resolution regarding, inter alia, Proposal II.

IV.

Four questions of a general nature were discussed by the Sub-Committee.

1. It is desirable that Governments which have given effect to Proposal II by means of administrative instructions (to banks or other institutions) should replace them by legislative or equivalent texts.

2. Penalties. — The Sub-Committee assumed that, where penalties are not explicitly laid down in the legislation issued to give effect to Proposal II, such penalties can be enforced under the general legislation of the country concerned or, if not, will be enacted later. It would be desirable that, in cases where the documents communicated do not provide for penalties, Governments should be asked to send information on this point.

3. Commercial Credit. — The question was raised whether the prohibition of commercial credits related only to credits of an extended period, or whether there was to be an absolute prohibition of credits irrespective of length. The Sub-Committee was of opinion that the prohibition was intended to be absolute and that only sales on a cash basis payable on or before delivery were intended to be authorised.

4. Colonies and Territories under Mandate. — It is assumed that certain points relating to the application of the legislation of the mother-country to colonies, territories under mandate, protectorates and condominiums will be examined by the Sub-Committee which will have to study the application of Proposals I to IV from the geographical point of view.

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1 Document Nos.: Co-ordination Committee/64 and 64(b).
2 Document No.: Co-ordination Committee/65.
3 Document No.: Co-ordination Committee/65(b).
EXECUTION OF PROPOSAL II A (CLEARING AGREEMENTS).

REPORT BY M. KULSKI (Poland), Rapporteur.

November 28th, 1935.

1. In the case of Proposal II A, two kinds of replies have been received from Governments, the first referring to the question asked whether they had or had not concluded with Italy clearing or similar agreements, the second referring specifically to Proposal II A.

2. To the first question, no reply has been received from the following sixteen Governments:

Afghanistan, Albania, Austria, Belgium, Bolivia, Chile, China, Dominican Republic, Guatemala, Latvia, Luxemburg, Paraguay, Portugal, Salvador, Spain, Venezuela.

It may be assumed that most of these States have no clearing agreements with Italy, but it would be advisable to have an official reply from them.

Of the Governments which have replied to this question, twenty-three state that they have not concluded clearing or similar agreements with Italy, fifteen state that they have concluded such agreements. There may be a doubt as to the classification of such countries as Colombia, Ecuador and Lithuania, which have concluded with Italy agreements for compensation in goods, which, however, it will be impossible to apply owing to the entry into force of Proposal III.

3. Sixteen explicit replies have been given to Proposal II A. The small number of these replies may be explained by the fact that most of the countries which had no clearing agreements with Italy considered that Proposal II A did not affect them.

Their attitude obviously is fully justified as regards paragraph 1 of the said proposal. In the case of paragraph 2, they may have thought that it had been devised in the interest of States having claims on Italy arising out of their exports, and that such States were free to judge whether or not they should apply it. Thus, several countries, although mentioning the existence of a credit balance against Italy, have refrained from replying to the suggestion in paragraph 2.

4. Among the countries which had clearing agreements or equivalent arrangements with Italy, six have not explicitly replied to question II A.

Cuba. (A vague allusion to a local clearing agreement.)
Ecuador. (This is a compensation agreement which might be studied in connection with Proposal III.)
Greece. (Direct reply awaited — the letter in Document No.: Co-ordination Committee /82 (g g) mentions that on November 18th “the accounts of this clearing will be closed”.)
Lithuania. (Same remark as for Ecuador.)
Norway. (Clearing suspended, according to the statement of M. Maseng.)
Uruguay.

The other countries having clearing agreements with Italy have stated their acceptance of Proposal II A, but some of them have not always clearly indicated that they had suspended the execution of the said clearing agreements or have omitted to give details of the measures taken with reference to paragraph 1 of Proposal II A (Czechoslovakia, the Netherlands, Roumania, Turkey). With some few exceptions, there are no replies regarding the application of paragraph 2 of Proposal II A (on this point, the same remark might be made as above regarding countries having no clearing agreements).

5. A special remark must be made regarding the position of Switzerland, which, according to its representative’s declarations to the Co-ordination Committee, is at present negotiating a clearing agreement with Italy. This question must be studied in connection with Proposal III.
ANNEX 4.

EXECUTION OF PROPOSAL III
(PROHIBITION OF IMPORTATION OF ITALIAN GOODS).

REPORT BY M. SUETENS (Belgium) AND M. MILITCHEVITCH (Yugoslavia), Rapporteurs.

November 27th, 1935.

The Rapporteurs who were asked to study the application of Proposal III think it advisable to make the following distinctions:

1. **Countries not applying the proposals of the Co-ordination Committee**:

   Albania, Austria, Hungary, Paraguay.

   The last-named has reported that Congress alone could take a decision on this point and that, in view of the situation of the country, the Government does not at present think it desirable to propose a resolution to this effect.

2. **Countries giving only partial effect to Proposal III**:

   Switzerland will continue importing from Italy, but, to achieve the object aimed at in Proposal III, will operate on a compensation basis without the transfer of foreign exchange. At the same time she will not increase the volume of her business with Italy.

   Chile agrees to give effect to Proposal III, except as regards imports arising out of clearing transactions, particularly those which may have already been begun when this proposal comes into effect.

3. **Countries which accept the application of Proposal III in principle, but in which the question is still under investigation**:

   Afghanistan, Argentine Republic, Bolivia, China, Ecuador, Guatemala, Haiti, Nicaragua, Panama, Salvador, Uruguay.

   Among the countries which have accepted Proposal III in principle, some report that they are preparing the measures necessary for its application:

   Argentine Republic, Bolivia, China, Ecuador, Haiti.

   As regards the Argentine Republic, the National Executive Authority has sent Congress a message asking for the passing of a law, as it considers that the adoption of a measure of such wide scope requires the special authorisation of Congress.

4. **Countries which have given effect to Proposal III**:


   In the case of some of these countries, the texts of decrees have not yet reached the Secretariat, so that it is impossible to define the scope of the measures they have adopted for applying Proposal III. The names of these countries are marked with an asterisk in the above list.

   Among the countries from which the Secretariat has received the texts of laws, it would seem necessary to ask for certain further details in the case of Mexico.

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1 Document No.: Co-ordination Committee/75.
2 Document No.: Co-ordination Committee/58.
4 Document No.: Co-ordination Committee/47(a).
5 Document No.: Co-ordination Committee/56(c).
The *Mexican* Decree\(^1\) provides for an exception in the case of articles "which are on their way or have been shipped from foreign ports to Mexico".

It has appeared necessary to mention certain special provisions adopted by some countries. The *Dominican Republic*\(^2\) fixes the entry into force of the Decrees at December 1st, except for goods forming the subject of existing contracts.

The *Union of South Africa*\(^3\) provides that contracts for which payment has been made in full form an exception if payment has been made in full by November 14th (instead of October 19th).

*India*\(^4\) excepts from prohibition goods entering before December 18th.

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**ANNEX 5.**

**EXECUTION OF PROPOSAL IV**

(EMBARGO ON CERTAIN EXPORTS TO ITALY).

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REPORT BY MR. SHACKLE (United Kingdom) AND M. WSZELAKI (Poland), *Rapporteurs*.

November 29th, 1935.

I. The following four countries are not applying the proposal:

Albania, Austria, Hungary, Paraguay.

With regard to Paraguay, a message from the Paraguayan Government on October 31st, 1935,\(^5\) stated that it did not regard it as desirable at present to contemplate a resolution regarding the measures proposed.

II. The following countries have agreed, in principle, to apply Proposal IV, but we are not yet in possession of information as to action taken by them:

Afghanistan, Bolivia, Chile, China, Cuba, Ecuador, Guatemala, Haiti, Nicaragua, Panama, Peru, Salvador, Venezuela.

In the case of most of the countries mentioned, the communications received are not very up to date. A few of the observations offered by the Governments concerned deserve special mention. Thus:

The Government of *Bolivia*\(^6\) states that it is preparing the necessary steps, but that, inasmuch as Bolivia possesses no maritime ports, she cannot effectively control the destination of her exports.

The latest information received from the Government of *Ecuador*\(^7\) is to the effect that, in order to ensure the full effect of the measures which it is proposed to adopt, the Ecuadorian Government is studying its commercial relations with Italy with a view to taking decisions which will be communicated to the League of Nations.

The Government of *Nicaragua*\(^8\) states that it is strictly enforcing sanctions, and issued on November 17th, 1935, the first decree regarding economic and financial sanctions. To give full effect to the proposal, they are awaiting the forthcoming meeting of Congress.

The Government of *Panama*\(^9\) undertakes to take such steps as may be necessary, according to the course of events.

The Government of *Peru*\(^10\) stated, on November 27th, 1935, that the information asked for would be delayed for two or three days owing to the fact that the legislation has had to be consulted.

Finally, the Government of *Venezuela*\(^11\) states that Proposal IV is under consideration.

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\(^1\) Document No.: Co-ordination Committee/69(b).

\(^2\) Document No.: Co-ordination Committee/80(b).

\(^3\) Document No.: Co-ordination Committee/45(c).

\(^4\) Document No.: Co-ordination Committee/24(c).

\(^5\) Document No.: Co-ordination Committee/75.

\(^6\) Document No.: Co-ordination Committee/77.

\(^7\) Document No.: Co-ordination Committee/68(a).

\(^8\) Document No.: Co-ordination Committee/65.

\(^9\) Document No.: Co-ordination Committee/61(b).

\(^10\) Document No.: Co-ordination Committee/84(a).
III. The following thirty-nine countries have enforced Proposal IV:

Union of South Africa, Argentine Republic, Australia, Belgium, United Kingdom, Bulgaria, Canada, Colombia, Czechoslovakia, Denmark, Dominican Republic, Estonia, Finland, France, Greece, Honduras, India, Iran, Iraq, Irish Free State, Latvia, Liberia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Roumania, Siam, Spain, Sweden, Switzerland, Turkey, Union of Soviet Socialist Republics, Uruguay, Yugoslavia.

The texts of the relevant laws and decrees have, up to the moment of compiling this report, been received in the case of the following countries mentioned in the foregoing list (some others we understand to be on the way):

Argentina, Belgium, United Kingdom, Bulgaria, Denmark, Estonia, France, Greece, Iraq, Irish Free State, Luxembourg, Norway, Netherlands, Poland, Portugal, Roumania, Spain, Sweden, Switzerland, Union of Soviet Socialist Republics, Uruguay, Yugoslavia.

The list of products covered by the proposal has, in the case of many of these countries, been followed practically verbatim. In the case of the following countries, however, the list has been remodelled — evidently, in most cases, with the intention of securing correspondence with the Customs tariff classification:

Belgium, United Kingdom, Denmark, France, Luxembourg, Sweden, Switzerland.

It does not appear that in any of these instances the remodelling has resulted in any notable changes of substance.

In the case of the Dominican Republic, it should be noted that the Government states that it proposed to bring this and the other proposals into force on December 1st, 1935, and that an exception will be made for existing contracts.

The above survey, although it has necessarily been rapid, has not disclosed any noticeable deficiencies in the texts submitted as regards the application of the measures laid down in Proposal IV. It will be noted, however, that, in a number of cases, the texts of the relevant laws and regulations are still awaited.

Suggested Questions on Proposal IV.

Requests for further information as to the action they are taking or proposing to take might be addressed to the following Governments:

Bolivia, Ecuador, Panama, Venezuela.

In addition, the Government of the Dominican Republic might be asked for explanations as to the motives which have led it to make an exception for existing contracts.

Suggested Questions on Proposal IV B.

We understand that enquiry will be made of the Argentine Government as to whether the requirement of declarations from exporters and shipping agents is confined to cases where goods are consigned “to order”, and, if so, as to the reasons for this limitation.

It may also be thought advisable to address enquiries to certain Governments as to whether their regulations effectively place the responsibility on the exporter to use all diligence to see that the goods do not reach Italian territory, and whether the exporter is liable to penalties if he consents to or connives at their reaching Italian territory:

Denmark, Poland, Sweden, Uruguay.

In the case of those countries which have entrusted the execution of Proposal IV B to the competent Ministries and Departments (namely, Bulgaria, Estonia, Norway, Siam and the Union of Soviet Socialist Republics), it would appear desirable to obtain more detailed particulars. In the case of the Union of Soviet Socialist Republics, it is understood that these are already being obtained.

In the case of a certain number of the countries which are applying Proposal IV, no information is yet to hand as to steps which they may be taking to implement Proposal IV B. These include:

Union of South Africa, Australia, United Kingdom, Canada, Colombia, Dominican Republic, Finland, France, Greece, Honduras, Iran, Latvia, Liberia, Lithuania, Luxembourg, Mexico, Portugal, Siam, Spain.

It may be considered advisable to request these countries to furnish specific information on the subject, if this is not already on the way.

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1 Document No.: Co-ordination Committee/80(b).
EXECUTION OF PROPOSAL IV B (INDIRECT SUPPLY).

REPORT BY MR. SHACKLE (United Kingdom) AND M. WSZELAKI (Poland), Rapporteurs.

November 29th, 1935.

With regard to the prevention of indirect supply, as stipulated in paragraph 2 of Proposal IV, and subsequently in greater detail in Proposal IV B, the texts of laws and decrees submitted by a number of Governments contain provisions intended to secure this object. In addition, certain other Governments have informed the League that they have taken the necessary steps to implement the proposal in question, but the actual texts have not yet been received.

The list of countries comprised in these two categories taken together, twenty-three in number, is at present as follows:

Argentine Republic, Belgium, United Kingdom, Bulgaria, Czechoslovakia, Denmark, Estonia, France, India, Iraq, Irish Free State, Netherlands, New Zealand, Norway, Poland, Roumania, Siam, Sweden, Switzerland, Turkey, Union of Soviet Socialist Republics, Uruguay, Yugoslavia.

Of the countries named, specific texts do not appear yet to have been received from the following, though in several cases they are promised:

Bulgaria, Czechoslovakia, India, New Zealand, Turkey, Union of Soviet Socialist Republics.

As regards the remainder, the relevant provisions are in most cases contained in the texts of the laws or regulations promulgated for the purpose of enforcing Proposal IV itself. The commonest type of provision made for this purpose is to require that exporters shall furnish to the Customs authorities undertakings or proof that goods of the prohibited classes consigned to countries other than Italy have not reached or will not reach Italian territory. In certain cases, it is stipulated that, if the exporter fails to furnish such proof, he shall be liable to penalty unless he proves that he did not consent to or connive at the goods reaching Italian territory. Naturally, penalties are also prescribed for any untrue declaration. In brief, the effect of measures of this type is to place on the exporter the onus of responsibility for securing that the goods do not eventually reach Italian territory.

It is perhaps desirable to quote the various provisions of this character in a slightly summarised form:

**Argentine Republic.**

In case of goods consigned "to order", declarations are required of exporters and shipping agents.

**United Kingdom.**

An exporter of prohibited goods shall, if required by the Customs, produce evidence that the goods have not reached Italian territory, or, if he fails to do so, he shall be liable to penalties unless he proves that he did not consent to nor connive at the goods reaching such territory, and that he took all reasonable steps to secure that the final destination of the goods was that specified in the Customs documents. These powers are, in fact, being applied as regards all exports of prohibited goods to all destinations.

**Irish Free State.**

Exporters may be required to produce evidence that the goods have not reached Italian territory, and the Revenue Commissioners may detain goods if they have reason to suspect that any declaration made before shipment is untrue. Unless they are satisfied as to its truth, the goods shall be forfeited.

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1 Document No.: Co-ordination Committee/56(c).
2 Document No.: Co-ordination Committee/10(b).
3 Document No.: Co-ordination Committee/25(c).
Denmark.\(^3\)

Before prohibited goods are exported, the exporter must receive a guarantee from the consignee that goods shall not directly or indirectly be re-exported or reconsigned to Italian territory.

Iraq.\(^2\)

The Customs may require exporters to prove that the goods will not reach Italian territory, or that they did not consent or connive at their reaching such territory.

Netherlands.

In the case of the Netherlands, we are indebted to our colleague representing the Netherlands for the following particulars:

By Ministerial Order, the Customs in the Netherlands have received instructions:

(a) To extend the examination of the destination of prohibited goods to any other indications than are comprised in the export and transit documents. In case of doubt, clearance is refused pending the production of other proofs.

(b) In the case of re-exportation through Customs warehouses, exporters are obliged to make special declarations. Contravention is punished by withdrawal of the right of warehousing.

(c) To report to the Ministry of Finance immediately, by telephone or telegraph, every separate exportation of copper, tin, nickel, as well as full details about the quantities, exporter, destination.

(d) To furnish every week to the Ministry of Finance separate statistical data concerning the exportation of all listed products.

Poland.\(^3\)

In order to establish destination, the Customs documents have to be examined; if there is doubt, the Customs may demand production of commercial documents showing the country of destination. In addition, watch will be kept on the export statistics. Any persons committing breaches of the provisions regarding restrictions on the traffic in goods with Italian territories are liable to penalties, including fines which vary in accordance with the value of the goods concerned, and, in addition, the goods are liable to confiscation.

Roumania.\(^4\)

Exporters must submit declarations to the Customs, guaranteeing that the goods will not be re-exported directly or indirectly to Italian territory.

Sweden.\(^5\)

The decree prohibiting export applies also to the export of goods to countries other than Italy if the circumstances show that the goods are intended to be re-exported to Italy.

Switzerland.\(^6\)

Any person knowingly exporting prohibited goods to a third country for re-shipment to Italy, or having good reason to suppose from the circumstances that the goods will be re-shipped to Italy, shall be deemed to have committed a punishable offence.

Uruguay.\(^7\)

Should exportation or re-exportation of prohibited goods be effected through another country, or should there be serious grounds for believing that such goods are being consigned to Italian territory, the operations shall be regarded as prohibited.

Yugoslavia.\(^8\)

Special watch is being maintained on the statistics of exports. If it is noted that, according to these statistics, the exports to a country not applying sanctions have increased abnormally,
the competent Ministers are authorised to limit the quantity of these articles exported to the country in question.

The Belgian Government\(^1\) has made provisions on similar lines as Yugoslavia.

In the case of those countries such as Belgium\(^1\) and France,\(^2\) which apply a system of export licences, the intention appears to be that all necessary evidence shall be called for by the competent authorities to satisfy them, before an export licence is granted, that the goods will not reach Italian territory.

It should be noted that, in the case of Switzerland,\(^3\) in addition to its being made an offence knowingly to export prohibited goods to a third country for re-shipment to Italy, a system of export permits is to be applied. These export permits will be granted freely in the case of goods of the prohibited classes destined for countries which themselves prohibit the export of these goods to Italian territory, but, in the case of countries not applying such export prohibitions, they will be limited to quantities not exceeding the quarterly average of exports to the country in question for the years 1932-1934.

The replies received from certain Governments are to the general effect that indirect export to Italian territory is prohibited, and that the execution of Proposal IV B has been entrusted to the competent Ministries and departments. Replies of this character have been received from Bulgaria, Estonia, Norway, Siam and the Union of Soviet Socialist Republics.

As regards the further recommendation contained in Proposal IV B, that Governments should keep under constant review the volume and direction of exports of goods of the prohibited classes, the replies received from a number of Governments include statements that they are watching their export statistics with this object in view. This is the case as regards Poland, Siam and Yugoslavia, amongst others.

We should add that the United Kingdom delegation has been informed — though this point has not apparently been mentioned yet in any written communication to the League — that His Majesty's Government in the United Kingdom is taking steps to obtain at short intervals special statistics of the export of goods of the prohibited categories to those countries from which there is any practical possibility that the goods might reach Italian territory.

If the Rapporteurs might be allowed to express a personal opinion, they would like to stress the desirability for countries which are applying Proposal IV to place on their exporters, in the clearest and most definite way possible, the onus of taking all possible steps to ensure that the goods do not reach Italian territory and of making them liable to adequate penalties if they fail to use all diligence to prevent the goods doing so. It will be noted that, so far as can be judged from the replies received up to the present, only about a dozen countries have included explicit provisions of this character in their laws and regulations, and among this dozen the relevant provisions appear to vary considerably in completeness and definiteness. It may be, of course, that, in a number of other countries, the desired end can be attained by different means; and, naturally, it is extremely difficult in a matter of this kind to form any useful opinion as to the probable effectiveness of any measures merely from seeing them set out on paper. It is the administration in practice that matters.

A number of countries have applied the same provisions for the prevention of evasion under Proposal I as in the case of Proposal IV — for example, the United Kingdom, Iraq and the Irish Free State. It should be added that, in the case of the United Kingdom, the export licensing system applicable to arms, which has been in force for a long time, enables control to be exercised over the export to countries which are neighbours of Italy of most of the items specified in the list contained in Proposal I A.

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\(^1\) Document No.: Co-ordination Committee/34(e).  
\(^2\) Document No.: Co-ordination Committee/17(f).  
\(^3\) Document No.: Co-ordination Committee/58(a).