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

I.
COMMITTEE OF EIGHTEEN
MINUTES OF THE FIFTH SESSION
March 2nd to 4th, 1936

II.
COMMITTEE OF EXPERTS
for the Technical Examination of the Conditions governing the Trade in and Transport of
Petroleum and its Derivatives, By-products and Residues
(Resolution of the Committee of Eighteen, dated January 22nd, 1936)
MINUTES OF THE SECOND SESSION
March 4th to 7th, 1936

III.
COMMITTEE OF EXPERTS
created to follow the Application of Sanctions
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2. Examination of the Replies received from Governments in connection with the Proposals of the Co-ordination Committee since the Second Session of the Committee of Experts

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3. Examination of the Replies received from Governments in connection with the Proposals of the Co-ordination Committee since the Second Session of the Committee of Experts (continuation)
4. Statistics of Trade with Italy and the Italian Colonies for the Period November 1935 to January 1936 and the Corresponding Period of the Preceding Year
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1. Opening Speech by the Chairman

2. Abrogation of the Restrictive Measures taken by the Governments of the Members of the League of Nations in conformity with the Proposals of the Co-ordination Committee: Adoption of a Draft Resolution

3. A. Closing Date for the Transmission to the Secretariat, by Governments, of Particulars relating to Trade with Italy.
   B. Study of the Practical Application of the Measures taken by Governments in conformity with the Proposals of the Co-ordination Committee: Joint Proposal by the French and United Kingdom Delegations

4. Close of the Session
NOTE BY THE SECRETARY-GENERAL.

The records of the earlier sessions of the Co-ordination Committee and of its Committees and Sub-Committees have been published in Special Supplements of the *Official Journal*:

*Special Supplement* No. 145: Minutes of the First Session of the Co-ordination Committee, Committee of Eighteen and Sub-Committees;

*Special Supplement* No. 146: Minutes of the Second Session of the Co-ordination Committee, Committee of Eighteen and Sub-Committees;

*Special Supplement* No. 147: Minutes of the Third Session of the Committee of Eighteen and of the First Session of the Committee of Experts created to follow the Application of Sanctions (Resolution of the Committee of Eighteen dated November 6th, 1935);

*Special Supplement* No. 148: Minutes of the Fourth Session of the Committee of Eighteen, of the Second Session of the Committee of Experts created to follow the Application of Sanctions (Resolution of the Committee of Eighteen dated November 6th, 1935) and of the First Session of the Committee of Experts for the Technical Examination of the Conditions governing the Trade in and Transport of Petroleum and its Derivatives, By-products and Residues (Resolution of the Committee of Eighteen dated January 22nd, 1936).

A further *Special Supplement* (No. 150) containing the text of the Proposals of the Co-ordination Committee, the communications received from Governments in connection with those proposals, and other documentation, will be published later.
FIFTH SESSION OF THE COMMITTEE OF EIGHTEEN

LIST OF MEMBERS.

Union of South Africa: Mr. C. T. Te Water, High Commissioner in London; Dr. S. F. N. Gie, Envoy Extraordinary and Minister Plenipotentiary in Berlin; Mr. H. T. Andrews, Acting Representative accredited to the League of Nations.

Argentine Republic: His Excellency Dr. E. Ruiz Guíñazú, Envoy Extraordinary and Minister Plenipotentiary in Berne, Permanent Delegate accredited to the League of Nations.

Belgium: M. M. Bourquin, Professor at the University of Geneva; M. W. Loridan, Consular Attaché.

United Kingdom: The Right Hon. Anthony Eden, M.C., M.P., Secretary of State for Foreign Affairs; Mr. William Strang, C.M.G., Adviser at the Foreign Office.

Canada: Mr. W. A. Riddell, Dominion of Canada Advisory Officer accredited to the League of Nations.

France: His Excellency M. P.-E. Flandin, Minister for Foreign Affairs; His Excellency M. J. Paul-Boncour, Minister of State, Permanent Delegate of France accredited to the League of Nations.

Greece: His Excellency M. Nicolas Politis, Envoy Extraordinary and Minister Plenipotentiary in Paris.


Netherlands: His Excellency Chevalier C. van Rappard, Envoy Extraordinary and Minister Plenipotentiary in Berne.

Poland: His Excellency M. Tytus Komarnicki, Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations; M. Casimir Trebiccki, First Secretary at the Permanent Delegation accredited to the League of Nations.

Portugal: His Excellency Dr. A. de Vasconcellos, Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.

Roumania: His Excellency M. Constantin Antoniaade, Envoy Extraordinary and Minister Plenipotentiary accredited to the League of Nations; His Excellency M. G. Assan, Envoy Extraordinary and Minister Plenipotentiary in Copenhagen.

Spain: His Excellency M. J. López Oliván, Envoy Extraordinary and Minister Plenipotentiary in Berne.

Switzerland:

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

His Excellency M. Walter Stucki, Minister Plenipotentiary, Delegate of the Federal Council for External Trade;

M. Camille Gorgé, Counsellor of Legation, Head of the League of Nations Section at the Political Department.

Turkey:

His Excellency M. Cemal Hüsnü Tarây, Envoy Extraordinary and Minister Plenipotentiary in Berne, Permanent Delegate accredited to the League of Nations.

Union of Soviet Socialist Republics:

His Excellency M. Vladimir Potemkine, Ambassador in Paris.

Yugoslavia:

His Excellency Dr. Bojidar Pouritch, Envoy Extraordinary and Minister Plenipotentiary in Paris;

Dr. Ivan Soubbotitch, Permanent Delegate accredited to the League of Nations.
FIRST MEETING.

Held on Monday, March 2nd, 1936, at 3.30 p.m.

Chairman: M. DE VASCONCELLOS (Portugal).

1. Programme of Work of the Session.

The Chairman said there were two questions on the agenda. They were — to take them in chronological order — as follows:

(1) Examination of the second report of the Committee of Experts; ¹
(2) Application of Proposal IV A.²

At the last meeting on January 22nd,³ the Committee adopted two resolutions.⁴ In the first, it requested the President to convene the Committee of Experts to follow in detail the application of sanctions in the various countries. In the second, it set up a separate Committee of Experts to make a technical examination of the conditions governing the trade in and transport of petroleum and its derivatives.

The reports of the two Committees of Experts had been distributed. The first — namely, that of the Committee instructed to follow the application of sanctions¹ — dealt with three matters:

(1) The application by the countries represented on the Co-ordination Committee of the Committee’s proposals. On the whole, their application was very satisfactory, though there were some gaps here and there with which the Committee might have to deal;
(2) The preparation and despatch of a questionnaire for statistics concerning trade with Italy;
(3) A possible increase in the percentage, at present fixed at 25% in Proposal III, for the proportion of value which must be added to Italian goods before they could be considered to have lost their Italian character.

The Chairman thought that, in examining the report, the Committee would do well to discuss each of these matters separately.

As to the second report — namely, that of the experts who had examined the conditions governing the trade in and transport of petroleum and its derivatives — he proposed to draw attention at somewhat greater length to the origin and development of the question.

On October 19th, 1935, the Co-ordination Committee adopted Proposal IV⁶ concerning an embargo by the Governments Members of the League of Nations on the exportation and re-exportation to Italy and Italian possessions of a number of products, such as rubber, bauxite, aluminium, iron-ore, chromium, manganese, nickel, tungsten, vanadium, tin and their ores and alloys.

On November 2nd, 1935,⁷ the Co-ordination Committee decided to fix November 18th as the date for the entry into force of this measure and of Proposal III.⁸ Some days later — namely, on November 6th — the Committee of Eighteen — which had been invited by the Co-ordination Committee to continue to sit and to communicate any new proposals it might see fit to make to the different Governments — adopted Proposal IV A.²

In consequence of events which would still be within the recollection of everyone, only a certain number of Governments had replied defining their attitude in regard to Proposal IV A. More than two months had elapsed before the Committee of Eighteen had resumed its consideration of the question on January 22nd, when it had adopted the resolution to which reference had already been made.

The attention of the Committee of Eighteen had thus been directed, in the first instance, to one only of the groups of materials mentioned in Proposal IV A — namely, petroleum and its derivatives, by-products and residues — because the Committee had considered that it was not advisable, at the moment, to deal with the others. It was therefore the question of petroleum which had now to be examined, in connection with which very complete preparatory work had been done.

² Document No.: Co-ordination Committee/97, page 3.
⁴ Document No.: Co-ordination Committee/109 (1).
⁵ See Official Journal, Special Supplement No. 148, page 64.
⁶ Document No.: Co-ordination Committee/40, page 8.
⁷ Document No.: Co-ordination Committee/85, page 3.
The Committee of Experts on Petroleum had met from February 3rd to 12th, 1936, under the chairmanship of M. Gomez. Its report had been distributed and formed one of the principal bases for the exchanges of views which would take place that week.

The Chairman took the opportunity to thank all the members of the Committee of Experts, particularly the Chairman, for this admirable document, the preparation of which had entailed considerable work.

The decision of principle concerning the extension of the embargo measures to petroleum products had been taken on November 6th, 1935. But the putting-into-force of this extension had been subject to the existence of the conditions necessary to make it effective. The question of effectiveness had been examined from the technical standpoint by the Committee of Experts. The Committee of Eighteen had reserved its right to submit its proposals to the political decision of the Governments, should this be necessary. It had now to consider what proposals, if any, should be formulated.

Such were the two questions to be considered; he proposed to begin with the examination of the report of the Committee of Experts instructed to follow the application of sanctions.

The Chairman's proposal was adopted.

2. Examination of the Second Report of the Committee of Experts created to follow the Application of Sanctions, for Submission to the Chairman of the Co-ordination Committee.

M. Westman (Sweden), Chairman of the Committee of Experts, observed that the first task of the Committee, under the Committee of Eighteen's resolution of January 22nd, 1936, was to examine the replies received from Governments in regard to the measures taken by the latter to give effect to the Co-ordination Committee's proposals.

As stated in the first report of the experts of December 12th, 1935, a few Governments had not at that date replied or sent the texts of the decrees or laws issued in application of the proposals. Some replies had been received in Geneva since that time.

The situation at the time the experts' second report was drafted was therefore as follows. The proposals had been adopted by a number of Governments varying from a maximum of fifty-two in the case of certain proposals to a minimum of forty-six in the case of other proposals. The replies received were summarised in Annex 1 of the report, and the experts commented as follows:

"No further information has been received from Guatemala, which has accepted the proposals in principle, but has apparently not yet enforced them, or from Panama as regards Proposals II, III, and IV, or from Venezuela, the Government of which has stated that it has Proposals III and IV under consideration. In three countries — namely, the Argentine Republic as regards Proposal III, Nicaragua as regards Proposals III and IV, and Uruguay as regards Proposals II and III — the question has been submitted to Parliament. The Argentine Government has communicated the draft law which it has prepared for consideration by Parliament."

The position, as thus outlined, had not appreciably changed during the month of February. Documents had, however, been received in regard to the attitude of Iran, Turkey, Norfolk Island, the Belgian Congo and Uruguay, and had been distributed.

The Committee of Experts had also had to deal with a number of replies received in answer to requests for explanations or additional information.

Only one group of questions need be mentioned in this connection — namely, the questions arising in connection with Proposal IV B, the object of which was to prevent goods not permitted to be exported to Italy from reaching that country by indirect routes. In its first report, the Committee of Experts had noted that it was impossible to draw any definite conclusion, from a study of the texts of laws and decrees, as to the efficacy of the measures taken. The Governments were accordingly asked to inform the Committee of Eighteen as to the administrative or other measures taken by them to prevent the introduction into Italy either of goods exported by them, via indirect routes, or of goods exported by third countries, across their territory. Certain Governments had supplied explanations and information in reply to this request.

In this respect, however, the documentation was far from complete, and the experts had had to confine themselves to stating, at their last meeting, that the question of indirect traffic

1 For the Minutes of the first session of the Committee, see Official Journal, Special Supplement No. 148, pages 41 to 63.
2 See Document No.: Co-ordination Committee/32(f).
3 See Document No.: Co-ordination Committee/22(g).
4 See Document No.: Co-ordination Committee/21(h).
5 See Document No.: Co-ordination Committee/111.
6 See Document No.: Co-ordination Committee/34(f).
7 See Document No.: Co-ordination Committee/33(e).
8 See Document No.: Co-ordination Committee/34(g).
9 See Document No.: Co-ordination Committee/106 (1) (see Official Journal, Special Supplement No. 147, page 12).
10 See Document No.: Co-ordination Committee/106 (2) (see Official Journal, Special Supplement No. 147, page 12).
11 See Document No.: Co-ordination Committee/106 (3) (see Official Journal, Special Supplement No. 147, page 12).
12 See Document No.: Co-ordination Committee/106 (4) (see Official Journal, Special Supplement No. 147, page 12).
might have to be re-examined at a later session, when the documentation of the Committee had been completed.

M. Westman turned next to paragraph 2 of the agenda of the Committee of Experts, as fixed by the Committee of Eighteen. That paragraph authorised the experts, not only to propose, but to take the necessary measures to obtain and publish statistical and other information on the position of trade between the countries applying the Co-ordination Committee’s proposals, on the one hand, and Italy and the Italian colonies, on the other.

In conformity with that resolution, the experts had studied the problem thoroughly, and had decided to ask the various Governments to fill in and send to Geneva each month three tables — the first giving the total values of the trade of each country with Italy, the Italian colonies and other countries, the second dealing with imports and exports of gold and silver, and the third concerning the export, to Italy and the Italian colonies, of certain specially selected commodities mentioned in the tables.

The preparation of those tables had proved to be a difficult matter. The experts had based their discussions on draft questionnaires and tables far fuller and more complicated than the tables before the Committee. As their work had progressed, however, they had found it necessary to confine themselves to what was essential and indispensable; and it was in that spirit that the questionnaires, including the tables, had finally been drawn up. Furthermore, the experts had had to content themselves with suggesting that the statistical data to be supplied by the different Governments should be based on the various methods in force in each country as regards trade statistics. It was common knowledge that these statistics were, unfortunately, not compiled according to uniform rules. But the experts had agreed that it was impossible to ask the Governments for statistical information the compilation of which would inevitably upset the existing principles for compiling trade statistics. As far as possible, therefore, the experts had made use of the results of the work which had for a long time been done at Geneva in the matter of trade statistics. The Minimum List of Goods prepared at Geneva in July 1935, with which the competent authorities of the different countries were quite familiar, formed the basis of the composition of the commodity groups. It was obvious that the results that would be obtained by summarising and analysing the various statistical data thus established would not permit of an accurate comparison of the respective countries. But, in so far as each country was concerned, useful information would be obtainable as to the relative developments in their respective trade relations with Italy.

Up to the present, no Government had sent to Geneva the statistical data required.1 That, in M. Westman’s view, was a proof of the scrupulous care and desire for accuracy with which the authorities were doing the work for which the Committee of Experts had asked. It was advisable, nevertheless, that the replies should not be too long in arriving.

As the Committee would remember, the resolution adopted by the Committee of Eighteen on January 22nd referred only to statistical information from countries applying the Co-ordination Committee’s proposals. In agreement with the Chairman of the Co-ordination Committee, the experts had, however, considered it highly desirable that statistical information should also be obtained in regard to countries members of the Co-ordination Committee which were not applying sanctions. Consequently, questionnaires had also been forwarded to those countries.

As soon as the Secretariat was in possession of the statistical information asked for, it would proceed (with the help, if necessary, of specially qualified statistical experts) to study the documentation, in the light, of course, of the statistics from other official sources which were at the Secretariat’s disposal. The publication of the results of this examination, for which the resolution of January 22nd provided, would take place as soon as possible.

Thirdly, the Committee of Experts had had to deal with a question submitted to it by the Chairman of the Co-ordination Committee. This concerned the proportion of value which must be added to Italian goods in other countries before they could be accepted as nationalised products and thus be exempted from the embargo on Italian goods.2 The proportion was at present fixed at a minimum of 25 %. In those cases where this percentage was strictly enforced, there was no question of diverted traffic, such trade being permitted under the proposals. It appeared, however, that, in various countries, the application of the provision had given rise to difficulties.

After a technical examination of the problem, the experts concluded that the difficulties in assessing the proportions in question, though great, would be lessened if the percentage of value added in third countries was a high one. They gave reasons for this conclusion in their report and did not hesitate to say that the application of Proposal III would be facilitated if the percentage were increased from 25 % to a much higher figure — for example, 50 %. Some countries were, moreover, already applying a higher figure than the prescribed minimum of 25 %. It was for the Committee of Eighteen to decide what action should be taken on the technical opinion expressed by the experts on this point.

Finally, the experts had urged the desirability of Governments instructing their Customs or other authorities in all cases to exercise the utmost vigilance in the application of the rules laid down in this matter.

In conclusion, M. Westman paid a tribute to the Rapporteur of the Committee, to the statistical experts and to Mr. Loveday for the heavy work they had done and the great ability they had shown.

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1 See final paragraph of M. Westman’s speech.


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He added that the Secretariat had just received statistical information from the following countries: Poland, Portugal, Latvia and Estonia.

The Chairman was glad to note that his own country was among those just mentioned, and he hoped the example given would be followed by other countries.

M. Flandin (France) said that France had taken all the necessary steps to reply to the questionnaire annexed to the report of the Committee of Experts, and that the French delegation would be in a position to place a first instalment of information at the Secretariat's disposal during the present session.

He further informed the Committee that an active stage had already been reached in the negotiations between Spain and France with regard to the application of sanctions in the French and Spanish zones of Morocco. The French Government was also awaiting replies from the Powers concerned which had been consulted as to the principle of extending sanctions to the zone of Tangier.

As to the suggestion to increase from 25% to 50% the percentage of value added as a result of processing, the French Government considered that, whether the percentage was 25% or 50%, this measure would be extremely difficult to apply, and that it was not easy for the Customs authorities to decide whether the goods had or had not been subject to other processes or what was the percentage of processing. The French delegation would suggest that the percentage of value of processing should not be taken as the only basis, but that another criterion should also be taken into account — namely, any change in the Customs nomenclature of the goods as a result of the processes undergone, when such a change involved an increase in the Customs duty payable.

He also thought that certificates of origin issued by the representatives of the importing countries applying sanctions should be required of all countries which were neighbours of Italy and which were not applying sanctions.

Finally, M. Flandin was of the opinion that the Committee should fix a date on which the exception allowed in the case of contracts for the importation of Italian products on which full payment had been made should cease to hold good.

The Chairman thanked M. Flandin for his replies to the important questions that had been raised and for the suggestions he had made, which were much appreciated by the Committee.

M. Komarnicki (Poland) said that the study of the statistics would be of great interest and would even be of political importance. The experts had shown that the results obtained by this indirect method would never really be complete. But, however incomplete the documentation might be, it would provide general indications, particularly as it was proposed to ask the Secretariat to complete the statements from the ordinary foreign trade statistics of the countries not represented on the Co-ordination Committee. In any event, until the results of an examination of all these statistics were available, it would be practically impossible to say to what extent the sanctions applied up to the present had been effective or not effective. It was for that reason that M. Komarnicki attached particular importance to the results of these studies.

M. Komarnicki informed the Committee of Eighteen that the experts' suggestion of an increase in the percentage of transformation of the value of goods was a matter of indifference to the Polish Government, since, from the moment when sanctions were first applied, Poland had adopted a percentage of 50%, as required by Polish Customs legislation.

M. López Oliván (Spain), speaking on behalf of his Government, confirmed the declaration made by the French delegate with regard to the application of sanctions in Morocco. The necessary legislative action would also be taken with a view to the application of the sanctions in the Spanish colonies.

M. Motta (Switzerland) referred to the suggestion put forward by M. Flandin that the percentage of the value of the transformation of goods should be added another criterion — namely, the changes involved in the Customs nomenclatures. The idea might be examined, but there were marked differences between the nomenclatures of the different countries. Some tariffs were highly detailed; others less so. In the case of a highly detailed tariff such as the French tariff, this criterion could easily be applied. In the case of other, less detailed, tariffs, it would be more difficult to do so. While, therefore, he would not express an opinion on the substance of the problem for the moment, M. Motta hoped the French delegation would be good enough to submit their proposal in writing, when it would receive the most careful attention.

The Chairman said that the statement made by the Chairman of the Committee of Experts and the other observations made would be included in the Minutes. The suggestions which had been put forward would be discussed at a later date.

3. Question of a Meeting of the Committee of Thirteen: Proposal by the French Delegation.

M. Flandin (France) had a suggestion to make before the Committee began its discussions on point 2 of the agenda. The Committee of Eighteen had always worked in close contact with
the Committee of Thirteen. At the last meeting of the latter, on January 22nd,¹ it had once more affirmed its resolve not to neglect any opportunity of facilitating and hastening the settlement of the dispute by agreement between the parties within the framework of the Covenant.

More than a month had passed since that meeting. The French delegation thought it would be desirable for the Committee of Thirteen to meet again and consider if it would not be possible to make another urgent appeal to the belligerents to put an end to the war.

He proposed accordingly that, before continuing its discussions, the Committee of Thirteen should hold an urgent meeting — for example, on the following day — in order to consider his suggestion.

Mr. Eden (United Kingdom) understood that the representative of France was anxious that, before the Committee of Eighteen began to discuss the question of the entry into force of an oil embargo, a further attempt should be made to bring an end to hostilities by an agreement arrived at within the framework of the Covenant, and that, for this purpose, he would ask that the Committee of Thirteen should be called together at once to examine the situation.

Mr. Eden was prepared to agree, in so far as His Majesty’s Government was concerned, that the matter should be considered on the following day by the Committee of Thirteen, more especially since the whole purpose of the League’s endeavours throughout the dispute had been to bring the war to an end. He would add that this procedure need not cause any undue delay, since he understood that the Committee of Eighteen still had work to do in connection with improving the operation of existing sanctions.

At the same time, he thought it only fair to the Committee that he should make plain to it what was the view of His Majesty’s Government in the United Kingdom upon the experts’ report on the oil embargo. His Majesty’s Government was prepared to accept any decision to which the Committee of Eighteen might come; but Mr. Eden desired to make it clear that, having considered the findings of the experts’ report, His Majesty’s Government was in favour of the imposition of an oil embargo by the Members of the League, and was prepared to join in the early application of such a sanction if the other principal supplying and transporting States who were Members of the League of Nations were prepared to do likewise.

The Chairman undertook to transmit to the Chairman of the Committee of Thirteen the proposal put forward by the French delegate and supported by the United Kingdom delegate.

M. Komarnicki (Poland) supported M. Flandin’s suggestion supported by Mr. Eden. At the same time, he would draw the Committee’s attention to the terms of the Assembly resolution of October 10th, 1935, on which the Committee’s activities were based. They were as follows:

“The Assembly . . . recommends that Members of the League of Nations, other than the parties, should set up a Committee, composed of one delegate, assisted by experts, for each Member, to consider and facilitate the co-ordination of such measures and, if necessary, to draw the attention of the Council or the Assembly to the situations requiring to be examined by them.”

The Committee of Eighteen could therefore recommend the Committee of Thirteen to meet, and it was more than likely that the recommendation would be put into effect. Nevertheless, it might be useful to recall that, under the terms of its procedure, the Committee was authorised to do more and to ask, if necessary, for a meeting of the Council or even of the Assembly.

The Chairman thanked the Polish representative for his remarks. He himself had not forgotten the Assembly resolution. But, seeing that a definite proposal had been made to convocate the Committee of Thirteen, and, further, that the Council had also decided that the Committee of Thirteen should be instructed at all times to consider the situation as a whole, he thought the proposal before the Committee of Eighteen was quite in conformity with the Council’s decisions, and that the Committee should therefore act on it.

M. López Oliván (Spain) supported the French proposal. As Chairman of the Committee of Thirteen, he was prepared to call a meeting at the earliest possible moment.

SECONlD MEETING.

Held on Wednesday, March 4th, 1936, at 11 a.m.

Chairman: M. DE VASCONCELLOS (Portugal).

4. Continuation of the Work of the Committee of Experts created to follow the Application of Sanctions and of the Committee of Experts on Petroleum: Proposal by the Chairman.

The Chairman suggested that the proposals made by M. Flandin at the previous meeting should be referred to the Committee of Experts instructed to follow the application of sanctions. The proposals related to (1) import certificates, (2) the percentage of transformation in the case of processed goods of Italian origin, (3) the exception allowed in connection with the importation of Italian products on which full payment had been made.

He also proposed that the Committee of Experts on Petroleum should be asked to examine the methods of applying an oil sanction.

M. COULONDRE (France) thought that other proposals, in addition to M. Flandin's, might be submitted for ensuring the satisfactory application of the sanctions already adopted, or that the exchange of views in the Committee of Experts might lead to new suggestions. He therefore hoped it would be understood that the Committee of Experts instructed to follow the application of sanctions was entitled, within the limits of its normal duties, to submit to the Committee of Eighteen any suggestion it might think useful for the satisfactory application of sanctions.

The Chairman thought the Committee would be in complete agreement with the French delegate's proposal.

M. WESTMAN (Sweden), Chairman of the Committee of Experts, readily endorsed the French delegate's proposal. He recalled that, under a decision already adopted, the Committee of Experts could discuss any question, provided the Chairman of the Committee of Eighteen authorised it to do so.\(^1\)

The Chairman's proposal, as extended by the French delegate and supported by the Chairman of the Committee of Experts, was adopted.

\(^1\) Document No.: Co-ordination Committee/100(1).
SECOND SESSION OF THE COMMITTEE OF EXPERTS

For the Technical Examination of the Conditions governing the Trade in and Transport of

PETROLEUM AND ITS DERIVATIVES, BY-PRODUCTS AND RESIDUES

(Resolution of the Committee of Eighteen, dated January 22nd, 1936.)

LIST OF MEMBERS.

**United Kingdom:**
- Mr. F. C. STARLING, Head of the Petroleum Department, Board of Trade;
- Mr. N. A. GUTTERY, Mercantile Marine Department, Board of Trade;
- Mr. H. M. Gladwyn JEBB, First Secretary, Foreign Office.

**France:**
- M. E. LÉCUYER, Counsellor of State, Director at the Ministry for Commerce and Industry;
- M. FILHOL, Head of the Information Service of the National Liquid Fuel Office.

**Iran:**
- His Excellency Ali Ashgar Khan ZARRINKAFSH, Iranian Government Representative with the Anglo-Iranian Oil Company in London;
- M. N. ENTEZAM, Assistant Delegate of Iran accredited to the League of Nations.

**Iraq:**
- His Excellency M. Sabih NAJIB, Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.

**Mexico:**
- His Excellency M. R. GÓMEZ, Ambassador accredited to the League of Nations, Envoy Extraordinary and Minister Plenipotentiary in Paris;
- His Excellency M. Vicente ESTRADA CAJIGAL, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.

**Netherlands:**
- M. Ph. VAN OMMEREN P. Jzn, Member of the Directorate of the S. A. Stoomvaart-Maatschappij “De Maas”.

**Norway:**
- M. Einar MASENG, Permanent Delegate accredited to the League of Nations.

**Peru:**

**Roumania:**
- His Excellency M. G. ASSAN, Envoy Extraordinary and Minister Plenipotentiary in Copenhagen.

**Sweden:**
- His Excellency M. K. I. WESTMAN, Envoy Extraordinary and Minister Plenipotentiary in Berne, Permanent Delegate accredited to the League of Nations.

**Union of Soviet Socialist Republics:**
- M. V. BROWN, Secretary of Embassy.

**Venezuela:**
FIRST MEETING.

*Held on Wednesday, March 4th, 1936, at 12 noon.*

**Chairman:** M. GOMEZ (Mexico).

1. **Programme of Work of the Session.**

The **Chairman** explained that, as the Chairman of the Committee of Eighteen had pointed out,\(^1\) the petroleum experts were required to consider from the technical aspect, and from that aspect only, how the petroleum embargo should be applied, if decided upon. That necessitated a preliminary exchange of views, and he invited members to make suggestions as to the programme of work.

M. ASSAN (Roumania) was not sure that the first step should not be to make a brief survey of the work already done to see whether certain points could not be developed or supplemented.

M. COULONDRE (France) appreciated the importance of a preliminary exchange of views, but some of the experts had not had time to reach Geneva. The French expert could not arrive before the afternoon. He therefore suggested that the Committee should confine itself for the moment to fixing the date of its next meeting.

After an exchange of views, the **Committee decided to hold its next meeting on Saturday, March 7th.**

The **Chairman** drew attention to the importance of indirect supply. He requested the Chairman of the Committee of Experts on sanctions to assist in examining that difficult question.

M. WESTMAN (Sweden) was prepared to assist the Committee in whatever way was considered best to establish contact between the two Committees.

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SECOND MEETING.

*Held on Saturday, March 7th, 1936, at 11 a.m.*

**Chairman:** M. GOMEZ (Mexico).

2. **Methods of Application of a Possible Embargo on Petroleum:** Preliminary Examination of a Draft Text proposed by the United Kingdom Delegation for Insertion in the Second Report of the Committee of Experts to the Chairman of the Co-ordination Committee.

The **Chairman** said that the Committee was called upon to study the methods of application of an embargo on petroleum, should such an embargo be decided upon.

Mr. STARLING (United Kingdom) thought that the Committee should confine itself to an examination of the problem from the purely technical standpoint, and that its first task should be to define petroleum and the other similar products which might form the subject of a resolution to be adopted by the Committee of Eighteen if an embargo were decided upon. Its second task would be to draw up an appropriate text in regard to the transport of petroleum, which could be included in that resolution.

With a view to facilitating the Committee's work, he had prepared a draft, which he submitted as a basis of discussion. Since the Committee, after an exhaustive discussion of the question, had reached the conclusion that any embargo on petroleum should also be extended

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\(^1\) See page 10.
to benzol and industrial alcohol,¹ he had included them in the list of products on which the embargo should be imposed. In this respect, and in regard to the proposal for dealing with transport, he had endeavoured to keep strictly to the framework of the report.

The text proposed by Mr. Starling was as follows:

"With a view to facilitating for the Governments of the Members of the League of Nations the execution of their obligations under Article 16 of the Covenant, the following measures should be taken:

(1) The Governments of the Members of the League of Nations will extend the application of Proposal IV of the Co-ordination Committee ² to the following articles as regards their exportation and re-exportation to Italy and Italian possessions, which will accordingly be prohibited:

(a) Petroleum and its derivatives, by-products and residues;

(b) Benzol, crude or refined;

(c) Methyl alcohol of a strength not less than 95 % by volume at 60° F.;

(d) Ethyl alcohol

(e) Mixtures of any of the above.

(2) The Governments of the Members of the League of Nations will, at the earliest possible date and not later than the date fixed for the imposition of the prohibition referred to in paragraph (1), make such arrangements as are necessary to secure that oil-tankers registered under their flags:

(a) Are not transferred, directly or indirectly, to the Italian flag; and

(b) Do not enter ports in Italy or Italian possessions, except:

(i) As a result of stress of weather or other cause of force majeure; or

(ii) For the purpose of discharging cargoes which are proved to have been loaded before the date fixed by the Committee for the entry into force of the prohibition referred to in paragraph (1).

(3) In order to secure that the arrangements set out in paragraph (2) shall be effective, the Governments of the Members of the League of Nations will:

(i) Prohibit the transfer of oil-tankers to the flags of nations which have not made the arrangements specified in paragraph (2); and

(ii) Provide for the imposition of adequate penalties on the owner for any contravention of the provisions in regard to the transfer of tankers, and on the owner and master for any contravention of the prohibition against entering ports in Italy or Italian possessions.

Having regard to the importance of collective and, so far as possible, simultaneous action in regard to the measures recommended, the Committee of Eighteen decides to fix . . . as the date for the entry into force of the prohibition referred to in paragraph (1).

Each Government 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 the above provision."

The Committee decided to adopt this text as a basis of discussion.

M. LÉCUYER (France) said that the French delegation had no objection to the draft so far as the substance was concerned. He pointed out, however, that it was drawn up in the form of a resolution, which might give the impression that a decision had already been taken to place an embargo on petroleum. He would prefer the draft to take the form of a technical proposal.

Mr. STARLING (United Kingdom) agreed with the French delegate. He had drawn up his proposal in the form of a draft resolution simply with a view to clarifying the points to be covered.

M. ASSAN (Roumania) understood that it was the intention of the French delegation to retain the substance of the draft submitted by the United Kingdom delegation, simply modifying the preamble so as to give it the form of a technical proposal. He fully shared the French delegation's view.

M. MASENG (Norway) proposed, in that connection, that the term "arrangements" used in the draft should be replaced by "proposals".

¹ Document No.: Co-ordination Committee/113, page 5. (See Official Journal, Special Supplement No. 148, page 66.)
² Document No.: Co-ordination Committee/40, page 8.
The Chairman explained, in order to avoid any misunderstanding, that this was a text to be submitted to the Committee of Eighteen and that, if the Committee of Eighteen decided to extend the embargo to petroleum, the States would necessarily have to make the appropriate arrangements.

He invited the Committee to examine the various points of the draft.

Preamble.

The preamble was approved, subject to the above observations.

Paragraph (1).

M. Westman (Sweden) wished to reserve his opinion in order to undertake a fresh consultation on points (c) and (d). It was not certain that the wording of those points corresponded exactly with the idea of industrial alcohol which the Committee had in view in its report.

M. Filhol (France) pointed out that, in the Committee’s opinion, industrial alcohol was alcohol which could be utilised in motors, and that, in fact, methyl alcohol and ethyl alcohol were therefore meant. He was not, however, sure whether it was correct to include only alcohol of a strength of not less than 95°. Italy might import alcohol of lower strength and convert it, by redistillation, into alcohol which could be utilised in motors. He thought that, perhaps, this restriction should be removed.

M. Van Oomeran (Netherlands) recalled that it had already been said during the Committee’s discussions that alcohol with a strength of less than 75° could, with difficulty, be converted into alcohol which could be used to drive motors. He was not sure, however, that 75° was the best limit.

Mr. Starling (United Kingdom) explained that, in fixing the limit of 95°, he had taken into consideration the opinion expressed on page 12 of the report of the Committee, where it was said that “if alcohol is to be used in motors, it should have a minimum degree of concentration of 99.6%” and that this alcohol “is produced from ordinary strong spirits of 95-96°”. He had also consulted the United Kingdom Customs Department, which had expressed the opinion that, unless a limit was fixed, it would be difficult to exclude certain categories of alcohol which were not intended to be subject to the embargo. Nevertheless, if the Committee thought otherwise, he had no objection to the limit being altered.

M. Van Oomeran (Netherlands) supposed that the intention of the United Kingdom Customs Department was to exclude drinking alcohol. He thought that this purpose could be attained by fixing the limit at 75°.

M. Westman (Sweden) said that if the limit of 75° were adopted, he would withdraw the reservation he had made as regards points (c) and (d).

M. Filhol (France) feared that, if a limit of 75° were fixed, Italy would be able to obtain supplies of potato or wine alcohol, which had a strength of less than 70° when they left the distillery and which could easily be redistilled for use in motors. He would prefer the removal of all limit.

Mr. Starling (United Kingdom) was prepared to accept this deletion, subject to a fresh consultation with the competent departments in his country.

The Committee decided to suppress the limit mentioned in the draft, subject to Mr. Starling’s reservation.

Paragraph (2).

M. Assan (Roumania) noted that it was laid down in this paragraph that measures concerning transport should be taken “at the earliest possible date, and not later than the date fixed for the imposition of the prohibition referred to in paragraph (1)”. He asked why a single date was not fixed for all the measures to be taken.

M. Starling (United Kingdom) explained that, if a single date were fixed, countries like the United Kingdom and Norway, which had a large tonnage of oil-tankers, would not be able to act immediately to prevent the sale of this tonnage before the date fixed for the prohibition
of the export of petroleum. In laying down that the measures referred to in paragraph (2) should be taken "at the earliest possible date", the idea had been to give those countries an opportunity of taking immediate action to control tankers.

M. ASSAN (Roumania) declared himself satisfied with this explanation.

Mr. GUTTERY (United Kingdom) said that the Norwegian delegate had drawn his attention to the fact that point (a) of paragraph (2) did not go so far as point (i) of paragraph (3). In order to take this observation into account, he proposed that point (a) should be followed by a new sub-paragraph, reading as follows: "are not transferred to other flags in order to be utilised for Italian trade".

M. LÉCUYER (France) did not oppose this addition, but wished the drafting of this new paragraph to be examined more closely.

M. ASSAN (Roumania) pointed out that the Norwegian delegate's observations could be taken into account by extending point (a) so as to cover, not only direct transfers, but also indirect transfers in the form of fictitious sales. He did not insist on the actual words "fictitious sales", but he would like the case to be provided for in a suitable manner. He considered, moreover, that the text could be simplified by placing point (i) of paragraph (3) after point (a) of paragraph (2), followed by point (ii) of the same paragraph as point (c). In this way, paragraph (3) could be dispensed with.

Mr. GUTTERY (United Kingdom) stressed the importance of maintaining the expression "directly or indirectly, to the Italian flag" without formally prohibiting the sale of oil-tankers to countries not participating in sanctions. He pointed out that the United Kingdom was bound by treaties, in the matter of the prohibition of exports, and could not order a prohibition specially aimed at particular countries. The United Kingdom Government could, however, decide that no tankers should be transferred, directly or indirectly, to the Italian flag and would possibly arrange that no oil-tankers should be sold without the Board of Trade's permission. The Board of Trade would grant or refuse permission in the light of the special circumstances of each case.

M. MASENG (Norway) noted that the members of the Committee were in agreement in substance and that it was only a matter of drafting. He therefore proposed that a Drafting Committee be set up to establish a text.

The Committee decided to set up a Drafting Committee composed of the representatives of the United Kingdom, France, Norway, the Netherlands and Roumania. This Committee would submit a revised text at the next meeting.

The Committee then turned to sub-paragraphs (i) and (ii) of paragraph 2 (b).

M. MASENG (Norway) explained that Norwegian shipowners had pointed out that the exception concerning cases of force majeure alone was not sufficiently wide and that other cases might arise in which a vessel was obliged to put into port. He had communicated those observations to the United Kingdom delegate, who did not feel able to give way on that point. M. Maseng had no intention of pressing the matter, but felt bound to mention the observations made by the Norwegian shipowners.

M. SMETS (Secretariat) asked whether it was essential to mention specially "stress of weather", which was also a case of force majeure.

Mr. GUTTERY (United Kingdom) explained that the formula used was that adopted in international navigation Conventions—for example, in the Loadline Convention and the Convention on Safety of Life at Sea. In English law, the phrase force majeure was not used, the normal phrase being "stress of weather, or other circumstances which neither the owner nor master could have prevented or forestalled". He therefore asked that the text be maintained.

M. ASSAN (Roumania) would have preferred to omit the reference to stress of weather, for fear that it might give rise to abuse.

M. MASENG (Norway) pointed out that the exception laid down in (ii) was not sufficiently wide and did not cover edible oils, which might be carried in oil-tankers. The export of such oil to Italy was not prohibited. He therefore proposed that the following words be added under (ii): "or which consist entirely of products not covered by paragraph (1)".

M. VAN OMMEREN (Netherlands) suggested referring rather to products the export of which to Italy or Italian possessions was not prohibited under sanctions.

Mr. GUTTERY (United Kingdom) understood that M. van Ommeren had in mind the possibility that new products would be added subsequently to the list in paragraph (1). He did not think the Committee need concern itself with that, however, as the provisions of paragraph (2) would automatically apply to any new products added to the list.

Paragraph (2) was approved.
Paragraph (3).

The Committee approved sub-paragraphs (i) and (ii) of paragraph (3) in principle, subject to a possible combination of paragraphs (2) and (3), as suggested by M. Assan, on consideration of the revised text to be submitted by the Drafting Committee.

THIRD MEETING.

Held on Saturday, March 7th, 1936, at 6.30 p.m.

Chairman: M. GOMEZ (Mexico).


The Committee examined the revised text of its report submitted by the Drafting Committee.

The report was adopted.¹

4. Possibility of Indirect Trade: Adoption of Additional Provisions to be included in the Second Report of the Committee of Experts to the Chairman of the Co-ordination Committee.

M. BROWN (Union of Soviet Socialist Republics) said that the Committee had hitherto considered only the prohibition of the export and transport of goods to Italy. The question of transhipment on the high seas, by means of which traffic could be diverted to Italy, should not be overlooked. Although the Committee had reached the conclusion at its last session that, from the practical standpoint, such an operation would be very difficult, there was reason to fear that, if Italy were faced with a petroleum shortage as a result of the embargo, she would find means of overcoming the difficulties.

M. LECUYER (France) pointed out that the text just adopted by the Committee contained a reference to Proposal IV. That proposal provided that the Governments should take the necessary steps to ensure that the products mentioned in the proposal, exported to countries other than Italy, were not re-exported, directly or indirectly, to Italy or Italian possessions. He did not know what steps had been taken under this provision, nor whether the Secretariat had any information as to their effectiveness. The position was somewhat different, however, in the case of petroleum. The trade in this product was carried on exclusively by oil-tankers, which meant that it was easy to follow. On the other hand, the diversion of a single consignment would enable a country at war to continue its operations for a considerable time. Furthermore, it was common knowledge that the petroleum sanction could not be entirely effective, and no one claimed that supplies of petroleum to Italy could be completely cut off. If, in addition, fraud were possible, the measures taken would be entirely useless.

Personally, he was not sure what steps a Government could take to prevent the diversion to Italy of petroleum leaving its shores. He was under the impression, however, that the existence of free ports, especially free ports with very considerable storage capacity, such as Hamburg, would greatly increase the possibilities of fraud.

M. WESTMAN (Sweden) thought that, in considering indirect trade the Committee should bear in mind, not only Proposal IV, but also Proposal IV B,¹ in which Governments were requested to inform the Co-ordination Committee, through the Secretary-General, of the measures they had taken in this connection. Only a few replies seemed to have been received. The Committee of Experts on the application of sanctions had decided to resume its examination of this question when further documentation was available. The question was therefore open. Of course, if an embargo were decided upon, petroleum would also be covered by the existing

¹ For the final text of the report, see page 22.
³ Document No.: Co-ordination Committee/97.
provisions. The Committee over which he presided was quite ready to study this question if the petroleum experts so desired. There remained the question whether measures to prevent indirect trade should be decided upon at the same time as the prohibition itself, or whether a period of time should first elapse.

Mr. Starling (United Kingdom) pointed out that, in the case of the previous sanctions, the production of the commodities in question had been controlled to a very large extent by the Members of the League. In the case of petroleum the question assumed a different aspect in view of the fact that some important producers were not Members of the League. The result was that the supply of petroleum to Italy could not be stopped completely, and consequently it would hardly be worth Italy's while to have recourse to costly methods of diverting traffic. Moreover, in the case of petroleum, it was proposed, not only to prohibit exports to Italy, but also to prohibit the use of tankers for transport. This would strengthen the embargo.

He therefore considered that it was hardly necessary at the present time to attempt to define the measures which should be taken to prevent indirect trade. If petroleum were added to the products covered by Proposal IV, it would be for the Committee of Experts instructed to follow the application of sanctions to study the measures to be taken to that end. In the meantime, the Committee might draw attention to the importance of the question in the document which it proposed to communicate to the Committee of Eighteen.

M. Brown (Union of Soviet Socialist Republics) thought it was all the more important to prevent any diversion of trade, because the proposed sanction would entail considerable sacrifices on the part of the countries which were called upon to apply it. Considerable possibilities were afforded by the free ports from which Italy could obtain supplies without paying additional Customs duties and therefore on more favourable terms than in countries which were not applying sanctions.

He therefore felt that it was necessary to submit to the Committee of Eighteen, not only proposals for an embargo, but also definite suggestions as to the measures to be taken to prevent indirect trade.

M. Assan (Roumania) thought that the best procedure would be to divide the measures to be recommended into two categories: those which might apply to all articles on which the embargo was imposed and those applicable to petroleum alone.

The question of free ports was undoubtedly the most important and the most difficult one to settle. As regards countries not applying sanctions, the possibility of controlling the quantities of goods normally supplied to those countries might, he thought, be examined. The Roumanian Government had already furnished the Secretariat with data relating to goods supplied during the last few months, particularly to Austria. These data showed that exports of live-stock to Austria had not exceeded the quantities normally supplied to that country. It might therefore be concluded that, as regards live-stock, there was no indirect trade through Austria.

He thought, therefore, that, among the measures to be contemplated, the control to which he had just referred might prove fairly effective.

M. de Bordes (Secretariat) informed the Committee that the Roumanian Government was the only one which had so far supplied the statistics referred to by the Roumanian delegate.

M. Westman (Sweden) pointed out that the Committee had to choose between the three following solutions: (1) to discuss the question itself; (2) to lay the question before the Committee of Eighteen, which would refer it either to the Committee of Experts on Petroleum or to the Committee created to follow the application of sanctions; (3) itself to ask this latter Committee to study the question. He thought this last solution would be the best one, if M. de Vasconcellos agreed to it.

The Chairman reviewed the various opinions expressed during the discussion. He noted, in particular, the view that the importance of indirect trade had been grasped from the outset of the discussion of an embargo on petroleum, since it had been proposed, not only to prohibit exports, but also to prohibit transport.

As regards the opportunities for indirect trade, the possibility of transhipment at sea had been considered by the Committee, which had reached the conclusion that that was merely a theoretical possibility in view of the considerable practical difficulties which such an operation would involve. The Committee had arrived at a similar conclusion in regard to indirect trade through countries not applying sanctions — that was to say, by rail or river — owing to the high cost of such transport. The question of free ports, and of Hamburg in particular, was every much more important. He also mentioned the case of Tangier, which, although it was not a free port, was governed by a special statute, and the case of the ports of Trieste and Fiume, through which imports into Austria and Hungary were made. Lastly, there was the port of Durazzo, from which petroleum could easily be reshipped to Italy.

All these possibilities should, of course, be carefully studied, but he did not think that, for the moment, the Committee could do anything more than draw the attention of the Committee of Eighteen to the importance of the problem and at the same time ask the Committee presided over by M. Westman to make a careful study of the question.

M. Brown (Union of Soviet Socialist Republics) wished to draw attention to the existence of a small free zone in the Bosphorus.
The Committee approved the Chairman's proposal and decided to add the following paragraphs to its report:

"It further suggests to the Committee of Eighteen that, in the event of a decision to impose the embargo referred to above, the attention of the Governments should be drawn to the importance of applying to the articles mentioned in paragraph (1) above the measures indicated in Proposal IV B.

"In the same connection, the Committee suggests to the President of the Committee of Eighteen the desirability of bringing to the notice of the Committee of Experts set up by the resolution of November 2nd, 1935, for special consideration, the question of possible indirect trade in petroleum and its derivatives and substitutes."

Annex.

SECOND REPORT OF THE COMMITTEE OF EXPERTS FOR THE TECHNICAL EXAMINATION OF THE CONDITIONS GOVERNING THE TRADE IN AND TRANSPORT OF PETROLEUM AND ITS DERIVATIVES, BY-PRODUCTS AND RESIDUES.

The Committee of Eighteen, at its meeting of March 4th, 1936, invited the Committee of Experts created on January 22nd to examine the methods of applying a possible embargo on petroleum.

The Committee of Experts met for this purpose on March 7th. Its discussions led it to the conclusion that, in the event of its being decided to impose an embargo on the supply and transport of petroleum and its derivatives, the following measures should be taken:

(1) The extension of the application of Proposal IV of the Co-ordination Committee to the exportation and re-exportation to Italy and Italian Possessions of the following articles:

(a) Petroleum and its derivatives, by-products and residues;
(b) Benzol, crude or refined;
(c) Methyl alcohol;
(d) Ethyl alcohol; and
(e) Mixtures of any of the above.

(2) The making, at the earliest possible date, and not later than the date fixed for the imposition of the measure referred to in paragraph (1), of such arrangements as are necessary to secure that oil-tankers registered under their flags:

(a) Are not transferred, directly or indirectly, to the Italian flag, and
(b) Do not enter ports in Italy or Italian Possessions except:

(i) As a result of stress of weather or other cause of force majeure; or
(ii) For the purpose of discharging cargoes which are proved to have been loaded before the date fixed for the entry into force of the measure referred to in paragraph (1), or which are proved to have been composed wholly of articles other than those referred to in that paragraph.

For this purpose, it would be necessary:

(i) To prohibit the transfer of oil-tankers to the flags of nations which have not made the arrangements specified in (a) and (b) above; and
(ii) To provide for the imposition of adequate penalties on the owner for any contravention of the provisions in regard to the transfer of tankers, and on the owner and master for any contravention of the prohibition against entering ports in Italy or Italian Possessions.

The Committee of Experts draws the attention of the Committee of Eighteen to the need for ensuring the simultaneous application by the countries concerned of the measure referred to in paragraph (1).

It further suggests to the Committee of Eighteen that, in the event of a decision to impose the embargo referred to above, the attention of the Governments should be drawn to the importance of applying to the articles mentioned in paragraph (1) above the measures indicated in Proposal IV B.

In the same connection, the Committee suggests to the President of the Committee of Eighteen the desirability of bringing to the notice of the Committee of Experts set up by the resolution of November 2nd, 1935, for special consideration, the question of possible indirect trade in petroleum and its derivatives and substitutes.

1 Other than such alcohol as is shown to the satisfaction of the Customs authorities to be capable of use solely for beverage purposes.
THIRD SESSION OF THE COMMITTEE OF EXPERTS CREATED TO FOLLOW THE APPLICATION OF SANCTIONS
(Resolution of the Committee of Eighteen, dated November 6th, 1935.)

LIST OF MEMBERS.

Belgium: M. W. LORIDAN, Consular Attache.

United Kingdom: Mr. H. M. Gladwyn Jebb, First Secretary at the Foreign Office; Mr. M. I. M. Forsyth, Board of Trade.

France: M. E. LÉCUYER, Counsellor of State, Director at the Ministry for Commerce and Industry; M. P. BOULET, Administrator of Customs; M. GAYON, Principal Collector of Customs at Rouen.

Greece: His Excellency M. R. BIBICA-ROSETTI, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate to the League of Nations.

Netherlands: M. J. VAN DER POEL, Head Inspector of Customs and Excise.

Poland: M. C. TREBICKI, First Secretary at the Permanent Delegation accredited to the League of Nations; Substitute: M. P. STARZENSKI, Attaché of Legation.

Roumania: His Excellency M. C. ANTONIADE, Envoy Extraordinary and Minister Plenipotentiary to the League of Nations; His Excellency M. G. ASSAN, Envoy Extraordinary and Minister Plenipotentiary in Copenhagen.

Spain: M. J. TEIXIDOR, Consul-General at Geneva, Secretary-General of the Permanent Delegation to the League of Nations.

Sweden: His Excellency M. K. I. WESTMAN, Envoy Extraordinary and Minister Plenipotentiary in Berne, Permanent Delegate to the League of Nations.

Turkey: His Excellency M. Cemal Hüsnü TARĀV, Envoy Extraordinary and Minister Plenipotentiary in Berne, Permanent Delegate to the League of Nations.

Union of Soviet Socialist Republics: M. V. BROWN, Secretary of Embassy.

Yugoslavia: Dr. Ivan SOUBBOTTITCH, Permanent Delegate to the League of Nations; Substitute: M. MILITCH, Attaché of Legation.
FIRST MEETING.

_Held on Wednesday, March 4th, 1936, at 11.45 a.m._

_Chairman_: M. WESTMAN (Sweden).

1. **Programme of Work of the Session.**

The **Chairman** explained why he had decided to convene this first meeting to fix the Committee's programme of work. The Chairman of the Committee of Eighteen had outlined the agenda at the meeting which had just been held: 1 to study the three points to which the French Minister for Foreign Affairs had referred during the Committee's discussions. Perhaps it would be helpful if the French delegation were to explain its point of view, either verbally or in a memorandum to be communicated to the experts.

Mr. **Jebb** (United Kingdom) explained that the Board of Trade expert could not reach Geneva until the morning of March 6th, and asked that the Committee's next meeting be held on that date.

M. **Van Rappard** (Netherlands) 2 supported this suggestion, the Netherlands expert likewise being unable to arrive before March 6th.

M. **Coulondre** (France) 2 said that while the French delegation was prepared to begin work at once if the Committee so desired, it accepted the United Kingdom and Netherlands proposal.

_The Committee decided to meet at 11 o'clock on Friday, March 6th._

Mr. **Jebb** (United Kingdom) suggested that, in the meantime, the ground should be prepared by unofficial conversations between delegates.

M. **Assan** (Roumania) proposed that the statistics already received by the Secretariat should be distributed to the members before the next meeting, so that they might have time to study them.

Mr. **Loveday**, Secretary of the Co-ordination Committee, explained that, up to the present, very few States had replied to the questionnaire. The Secretariat had had to work on the questionnaire during the petroleum experts' session, so that the Governments were not responsible for the delay. For the time being, the Secretariat could communicate to the members of the Committee a table giving data concerning Item A of the questionnaire — that was to say, total values of the imports from and exports to Italy for November, December and January — but could not give particulars by commodities.

Mr. **Jebb** (United Kingdom) said that the United Kingdom delegation could hand the Secretariat statistical data concerning exports and imports between the United Kingdom and Italy down to the end of January. It would, nevertheless, be unable to supply particulars other than those in the possession of the Board of Trade.

M. **Coulondre** (France) said that the French delegation would hand to the Secretariat the French Government's reply to the questionnaire that day.

M. **Van Rappard** (Netherlands) stated that the Netherlands Government would send the statistics required as soon as possible. The data collected by the Netherlands Central Statistical Bureau would, however, be classified somewhat differently from the scheme indicated in the questionnaire.

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1 See page 14.
2 M. Coulondre and M. van Rappard, who were not members of the Committee, attended this meeting in the absence of the French and Netherlands experts.
SECOND MEETING.

Held on Friday, March 6th, 1936, at 11 a.m.

Chairman: M. Westman (Sweden).

2. Prohibition of Importation of Italian Goods: Question of the Application of Point (2) of Proposal III of the Co-ordination Committee: Proposal by the French Delegation regarding the Conditions under which Goods lose their Italian Nationality.

The Chairman explained that the agenda consisted of three questions, all raised at the meeting of the Committee of Eighteen on March 2nd, 1936.1

He opened the discussion on the first of these questions, which had been raised by the delegate of France, M. Flandin, in the following words:

"The French delegation suggested that the percentage of value of processing should not be taken as the only basis but that another criterion should also be taken into account,—namely, any change in the Customs nomenclature of the goods as a result of the processes undergone, when such a change involved an increase in the Customs duty payable."

He understood this suggestion had been the subject of conversations between the United Kingdom and French delegation.

M. Lécuyer (France) did not think the question, which was very simple, called for many more explanations. It had been noticed, in France, that some of the goods imported under point (2) of Proposal III had undergone processes, after leaving Italy, which did not in any way change their nature. A 25% increase in value was, in fact, soon brought about by operations carried out in third countries. For instance, lemons were yellowed, sorted and wrapped in tissue paper outside Italy, and there was no doubt that, on leaving the third country after these manipulations, they were, in fact still Italian products. The French Customs and revenue authorities, however, feeling bound by point (2) of Proposal III, had felt that they should admit these goods, the value of which had actually been increased by more than 25% outside Italy. Such a state of affairs seemed to him contrary to the spirit of the Co-ordination Committee’s proposal.

Point (2) of that proposal related to "goods grown or produced in Italy or Italian possessions which have been subjected to some process in another country, and goods manufactured partly in Italy or Italian possessions and partly in another country . . . " To wrap an article in a different wrapping was not equivalent to the processing or manufacture of an article. Such cases were undoubted instances of indirect supply. M. Flandin had therefore felt that, while not suppressing the 25% it would be possible to add thereto a second and Customs criterion to be found in the legislation of every country. The United Kingdom delegation had prepared a draft text which was acceptable to the French delegation. The latter considered, nevertheless, that the text might usefully be made clearer and therefore submitted the following wording:

"In order to avoid a modification of the text of paragraph (2) of Proposal III, the Committee of Eighteen might simply be asked to adopt the following interpretation:

"'The Committee of Eighteen, on learning of the difficulties involved by the application of paragraph (2) of Proposal III adopted by the Co-ordination Committee on October 19th, 1935, considers that this provision should be interpreted as follows:

' (1) Italian goods which have undergone a process or have been manufactured in a third country shall remain of Italian origin, from the point of view of the application of sanctions, if the processes undergone since the goods left Italy or Italian possessions have not increased their value by 25% or more;

' (2) The provisions of the legislation and Customs regulations of the countries of importation shall remain applicable, for the determination of origin from the point of view of sanctions, to Italian goods which have undergone processes abroad increasing their value by 25% or more.'"
Mr. Lécuyer pointed out that the French delegation had no intention of changing Proposal III, and that the text it proposed merely interpreted the proposal. Furthermore, the figure of 25% was mentioned in the text, not because the French delegation objected to the percentage of transformation being increased to 50%, but simply because it was repeating Proposal III. The French delegation would have no difficulty in accepting a proportion of 50%. The main idea underlying the French delegation's text was that there should be a minimum percentage of increase of 25% or 50% (paragraph 1). If, however, in the Customs legislation of a country there existed a criterion other than that of value, as contemplated in Proposal III, for determining the origin of a commodity, the French text would bring that criterion into play (paragraph 2). That meant that, according to the law of any country, Italian goods were still Italian after undergoing processes in a third country which increased their value by 25% or 50%, they would also still be Italian under the French delegation's proposal.

Lastly, the idea of transformation and change, which was not specifically mentioned in the second paragraph, was included by implication, owing to the general character of that paragraph.

M. van der Poel (Netherlands) did not agree with the French authorities mentioned by M. Lécuyer that the value of a commodity could be said to have increased because its packing had been changed or it had been wrapped in paper. The value of the goods was hardly increased by these operations, for they had been handled unnecessarily or for no other object than to evade the provisions relating to sanctions.

The Chairman considered that it was nevertheless necessary to interpret the provision in question, so as to attain a uniform practice on the part of the Customs authorities.

M. de Bordes (Secretariat) pointed out that there was a difference between the English and French texts of Proposal III. The English text referred to “process”, which seemed more vague and comprehensive than the French word “transformation”. Perhaps the expression “process” would cover operations such as packing which the French word “transformation” did not cover.

M. Brown (Union of Soviet Socialist Republics) thought the French proposal was justified, since the Customs took into account the declared value of the goods on despatch. Their value might very well be increased en route, however, by packing, sorting, etc. What would happen then? The Customs authorities concerned would draw a distinction between the value declared on despatch and the value declared on importation. If it amounted to more than 25%, they would feel bound to admit the goods.

Mr. Forsyth (United Kingdom) explained that the United Kingdom authorities considered that the customary packing required for the transport of commodities was an inevitable accompaniment of those goods. The British Customs did not consider that goods were in any way changed by the addition of the customary and necessary packing. Any other form of packing, handling, etc., would be taken for what it was worth. Apples or peaches might, for instance, be wrapped in tissue or silver paper. Such packing was different, in the eyes of the British Customs, from the customary and necessary packing.

M. van der Poel (Netherlands) admitted that the value of the customary and necessary packing should be added to the value of the goods, but thought consideration should be given to cases in which the packing was only added on account of sanctions. Care should be taken that goods from Italy were not provided with wrappings that were not necessary. If a wrapping were added en route, it should be ascertained by how much the value of the goods had been increased. In his opinion, it was difficult to add 25% to the value of goods by packing. The Netherlands expert thought the considerations he had just put forward would facilitate the solution of the problem raised by the French delegation.

M. Lécuyer (France) observed that it was not only a question of packing but also of a number of possible operations to which goods might be subjected, according to the requirements of the case. In any event, the French Customs had received invoices showing that the value of a particular commodity, which had undergone only the simplest operations, had been increased by more than 25% between its despatch from Italy and its arrival for importation. They had had to admit the goods, and it was in order to prevent such abuses that the French delegation had made its proposal.

Mr. Forsyth (United Kingdom) thought that the second paragraph of the French proposal solved the problem. Under that paragraph, every country could refer to its own legislation when determining the origin of the goods. In any case, the provision would work quite satisfactorily in the United Kingdom.

The Chairman enquired whether his colleagues thought that the second paragraph of the French proposal would lead to the uniform application of Proposal III.

M. Assan (Roumania) thought that the best solution would be to fix a proportion and to leave the rest to the Customs. It could not be hoped that a decision of principle would be applied on uniform and definite lines in every country. The best plan, therefore, would be to keep the text proposed by the French delegation and to fix a percentage of increase.
M. Van der Poel (Netherlands) stated, in reply to M. Lécuyer, that he had mentioned packing simply by way of example, and that his remark applied to other forms of handling. The real point was whether a proportion of 25 % was sufficient; if it were not, there was nothing to prevent the figure being raised to 40 or 50 %. Such an increase would be preferable to the solution proposed by the French delegation, which had the disadvantage that it could be interpreted differently by the various Customs offices.

M. Lécuyer (France) pointed out that questions concerning the value of goods were often difficult to settle. If it were decided simply to raise the figure to 50 %, invoices would be received showing an increase of 51 %, just as hitherto they had shown an increase of 26 %; that was an undoubted fact and indirect traffic would continue. In M. Lécuyer's opinion, therefore, a second criterion was required, in addition to the increase in value.

He explained, in reply to a question by M. de Bordes, that, under the terms of the French proposal, goods imported from Italy, by way of Austria for example, which had not undergone a 25 % increase in value, would, in any case, be regarded as Italian commodities. On the other hand, goods imported from Italy by the same route which had undergone a 25 % increase might still be regarded as Italian, if that description applied to them under the law of the country to which it was proposed to import them.

Mr. Jebb (United Kingdom) thought that the effects of the French proposal were perfectly clear; the condition relating to a 25 % increase applied in all cases, and if, in addition, the national laws laid down other conditions for the loss of the nationality of origin, those conditions were superimposed on the first.

M. Assan (Roumania) pointed out that the majority of goods did not lend themselves to an increase of 26 % or of 51 %, and that that in itself was an obstacle to indirect traffic. The second paragraph of the French proposal seemed to him to sanction the existing practice.

As regards differences in the matter of application, they already existed, since certain countries required an increase of 50 %, while others were content with 25 %. In point of fact, the most important provision was the one relating to the minimum percentage of increase.

M. Lecuyer (France) explained that the proposal now under discussion was intended by the French delegation, not to modify Proposal III, but to define and standardise its interpretation. The principle to be embodied in a suitable provision was that, in the absence of any real process of conversion in a third country, Italian goods remained Italian. The French delegation would be prepared to support any formula embodying that point.

M. Trebicki (Poland) said that the point under discussion was not of practical importance for Poland, which had already adopted 50 % as the figure for increase in value. It was evident that the effect of the provision that the Committee was asked to recommend would not be the same for every country. One point in regard to the French proposal appeared to him very important — namely, that it took into account the national laws and national Customs practices. Any departure from that principle would, perhaps, defeat the object in view.

M. Van der Poel (Netherlands) pointed out that the Netherlands had only a single Customs tariff and, consequently, was not concerned with the origin of the goods. What solution would M. Lécuyer propose for a country in that position?

M. Lécuyer (France) said that, assuming that there was nothing in the laws of a country that concerned Proposal III, the first paragraph of the French proposal would apply.

The Chairman thought that it was obvious that paragraph 2 would apply in the case of certain countries and not in that of others. The Committee appeared to be in agreement with the suggestion that the figure for the increase in value should be raised from 25 to 50 % and to be in favour of adopting a proposal on the lines of paragraph 2 of the French proposal as being of use, at all events in certain countries.
He proposed that a small drafting Committee, consisting of the French, United Kingdom, Netherlands and Belgian experts, be asked to submit a text at the next meeting.

M. Smets (Secretariat) thought it would be desirable, in that text, to enumerate certain operations which were not regarded as increasing the value of the goods.

M. Lécuyer (France) considered the suggestion a sound one; there would be no great objection, he thought, to stating in the text that packing, sorting, matching, etc., were not regarded as operations involving any increase in value.

The Chairman’s proposal was adopted.

THIRD MEETING.

Held on Friday, March 6th, 1936, at 4.30 p.m.

Chairman: M. Westman (Sweden).

3. Prohibition of Importation of Italian Goods: Exception in favour of Contracts for which Payment had been made in full by October 19th, 1935: Question of the Withdrawal of the Exception after a Certain Date: Proposal by the French Delegation.

The Chairman drew attention to the decision reached by the Co-ordination Committee on November 2nd, 1935:

"The Co-ordination 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."

The following passage would be found in the Minutes of the meeting held by the Committee of Eighteen on March 2nd, 1936:

"Finally, M. Flandin was of the opinion that the Committee should fix a date on which the exception allowed in the case of contracts for the importation of Italian products on which full payment had been made should cease to hold good."

He opened the discussion on M. Flandin’s suggestion.

M. Lécuyer (France) explained that the reason for the French delegation’s suggestion was that, as time went on, the number of contracts for which full payment had been made increased. There was good ground, therefore, for supposing that some of these contracts were fictitious. To put an end to abuse, a date should be fixed as from which the exception would be withdrawn. In his opinion, importers could be considered to have had time, since November 18th, 1935, to obtain the goods paid for, and the contracts now submitted to the authorities were little more than accommodation contracts.

M. van der Poel (Netherlands) wondered whether it would not be better to fix a final date for the presentation of the invoice rather than for the despatch of the goods. If the first method were adopted, there would be no risk of benefiting Italian exporters by enabling them to keep goods for which the purchaser had already paid.

M. Lécuyer (France) saw no objection to the proposed method at first sight. As regards goods on the way, consignments were still arriving in some countries with documents quite in order, showing that they had left Italy before November 18th, 1935. The Chairman observed that point (4) of Proposal III applied to those goods. Each Government could therefore deal with them as it thought fit.

M. Lécuyer (France) did not press the last point. Turning to M. van der Poel’s suggestion, M. Lécuyer was not sure, on reflection, whether fixing a final date for the presentation of the invoice would not entail greater risk than fixing a date for the receipt of the goods. Contracts providing for payment in instalments might have been concluded, and it would not be easy to extend to them the arrangement suggested by the Netherlands expert.

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1 Document No.: Co-ordination Committee/89.
2 See page 12.
M. LORIDAN (Belgium) said that, in Belgium, so far as was known, there was only one contract for goods paid for in full but not yet received: an order for 500 tons of marble to be delivered over several months. He presumed there would be no objection to its delivery, as it had been paid for and therefore belonged to the purchaser.

The CHAIRMAN foresaw that difficult cases would arise in which there would be a risk of the importer being deprived of goods for which he had actually paid. Such cases would lead to claims which Governments would find it difficult to refuse. It was important, therefore, to find a satisfactory text from the legal point of view.

Mr. FORSYTH (United Kingdom) was inclined to share the French delegate's view. The United Kingdom had only granted a few import permits for Italian goods, mainly articles ordered by British tourists in Italy. The authorities could always meet claims with the reply that since sanctions had come into force those concerned had had sufficient time to import their goods.

M. VAN DER POEL (Netherlands) pointed out that that was not always the case. Some orders could only be delivered after a fairly long period had elapsed; for instance, orders for marble and for certain machinery and agricultural products. Even before the great war, contracts had been concluded which had taken some time to execute owing to the nature of the goods.

M. BROWN (Union of Soviet Socialist Republics) pointed out that it was somewhat unusual to pay for goods at the time they were ordered. Whenever it was claimed that this had been done, there was reason to suspect fraud. Nevertheless, the good faith of the interested party might be taken for granted in the case of small orders, provided those demands were not repeated. Otherwise a very sharp look-out must be kept, in order to avoid fraud on the part of persons producing accommodation invoices.

The CHAIRMAN, in the event of the Committee fixing a date, asked whether his colleagues proposed to provide for derogations in exceptional cases or to leave it to Governments to settle those cases, possibly after consulting Geneva, or, on the other hand, to allow no exceptions.

Mr. FORSYTH (United Kingdom) was in favour of leaving it to Governments to take the necessary decisions.

The CHAIRMAN noted that the Committee considered it necessary to fix a time-limit for the derogation allowed in the case of contracts which had been fully paid. As regards the form which that proposal might take, he asked his colleagues whether they wished to stipulate that, after a date X, no Italian goods could be imported, even if they formed the subject of a contract which had been fully paid.

M. LECUYER (France) explained that the French delegation has thought of proposing a time-limit after which no further requests to be allowed to import Italian goods would be accepted, but that it had no desire to interfere with the authorisations already granted.

The CHAIRMAN and Mr. FORSYTH (United Kingdom) concurred with this view.

M. TEIXIDOR (Spain) also supported it, and did so all the more readily because in certain countries there existed a system of exchange control; importers had to pay into the Foreign Exchange Office the price of the goods they were importing, the foreign exchange for the payment of such goods abroad being supplied to them, as a rule, after a considerable period, and that period had some influence on the period of delivery of the goods by the exporter.

M. LECUYER (France) submitted the following draft resolution:

"The Committee of Eighteen,

"Whereas it is necessary to obviate the abuses which might occur in the application of the Co-ordination Committee's decision of November 2nd, 1935, authorising, as an exception to Proposal III, the execution of contracts in respect of which full payment was made by October 19th, 1935;

"Considers that . . . . 1936, should be fixed as the final date by which the parties concerned must supply the competent authorities with proof of the existence of the contracts and of the fact that full payment was made before October 19th, 1935."

Mr. FORSYTH (United Kingdom) pointed out that, in fact, proof was produced after the request had been submitted, a fact which was of some importance in fixing the time-limit, but he would not press the point.

M. LECUYER (France) explained that, in France at any rate, proof of the existence of contracts and of payment was produced at the same time as the application. Everything depended upon the date which would be fixed. In his opinion, the time-limit should not be too short.

M. TREBICKI (Poland) did not think there could be any objection, in principle, to fixing a date, but doubted whether it was possible to do so at present. As had rightly been pointed out, a provision which had not been carefully prepared might prejudice certain acquired rights. In his opinion and in accordance with the solution adopted in point (4) of Proposal III, it would
be better to leave it to Governments to fix the time-limit referred to in the last paragraph of M. Lécuyer's proposal.

The CHAIRMAN thought, on the contrary, that it would be better for the Committee of Experts to propose to the Committee of Eighteen that it should itself fix a definite date.

M. SOUBBOTITCH (Yugoslavia) observed that the question of the date was of the utmost importance to Yugoslavia, which, before sanctions were imposed, had done a large amount of regular trade with Italy. He would like to know what time-limit was proposed.

M. Lécuyer (France) repeated that he did not think the date could be fixed at present, since it was not known when the Committee of Eighteen would examine the question.

M. SOUBBOTITCH (Yugoslavia) said that he would be very glad at least to know the views or intentions of the Committee on that point.

Mr. Jebb (United Kingdom) proposed that the Committee of Eighteen should be recommended to fix a time-limit of fifteen days after the date on which it reached its decision.

M. SOUBBOTITCH (Yugoslavia) was satisfied with that solution.

The CHAIRMAN noted that M. Jebb's proposal coincided with the Committee's views. The text submitted by M. Lécuyer was adopted.


The CHAIRMAN directed the Committee's attention to the suggestion put forward by M. Flandin at the meeting of the Committee of Eighteen on March 2nd, as follows:

"He (M. Flandin) also thought that certificates of origin issued by the representatives of the importing countries applying sanctions should be required of all countries which were neighbours of Italy and which were not applying sanctions."

M. ASSAN (Roumania) explained why that idea, which had already been discussed, had not been proceeded with. Trade with countries neighbours of Italy was already fraught with so many difficulties that it had not been desired to complicate it further by introducing formalities of which the efficacy was, moreover, doubtful.

M. LECUYER (France) said that he was fully alive to the difficulties just mentioned by M. Assan, but he stressed the fact that the certificate of origin was applicable only to goods imported from countries which were not applying sanctions and which, if they suffered inconveniences owing to that fact, had only themselves to blame.

Mr. Forsyth (United Kingdom) explained that, since the application of sanctions, the United Kingdom authorities had from the outset required certificates of origin for all non-Italian goods imported from countries which were not applying sanctions — that was to say, from Switzerland, Austria, Hungary and Albania. The reason that certificates of origin had not been required of Germany also was because that country, which had instituted currency control, had stated that it could exercise supervision over the origin of goods just as effectively as by means of certificates of origin. The certificates of origin required by the United Kingdom authorities could be issued either by British Consulates or by the Chambers of Commerce specially empowered for the purpose. The Chambers of Commerce in question were those mentioned in the annex to the Convention of 1923 concerning Customs formalities. In one or two cases, the certificates issued by certain Chambers of Commerce had appeared suspect. In such an event, the United Kingdom authorities reserved the right no longer to accept certificates made out by a Chamber of Commerce which did not appear to offer the necessary guarantees. Up to the present, the system had worked satisfactorily.

He explained, in reply to a question by M. Assan, that certificates of origin were issued in Austria by seven Chambers of Commerce and two Consulates; in Hungary, by seven Chambers of Commerce and one Consulate; in Switzerland, by some twenty Chambers of Commerce and half-a-dozen Consulates. Obviously, when there was nothing to choose as regards distance, importers preferred to apply to the Chambers of Commerce, which charged rather less than the Consulates for the formalities in question.

M. ASSAN (Roumania) thought that that was precisely where the weakness of the system lay, since Chambers of Commerce established in countries not applying sanctions offered very inadequate guarantees. On the other hand, the obligations to obtain certificates of origin was a somewhat serious obstacle to trade.

M. Texidor (Spain) explained that, in Spain, all certificates of origin must be vised by the Consulates. That system was already applied to certain goods imported from Switzerland and from other countries bordering on Italy. If there were any question of extending the measure

1 See page 12.
to all goods, he would be obliged to make a reservation, in regard to existing contractual engagements, against the general adoption of the suggested measure.

M. VAN DER POEL (Netherlands) thought that, if certificates of origin were required for goods imported from Austria, Hungary, Switzerland and Albania, they should also be required for goods imported from Germany; otherwise there would be an immediate diversion of traffic through Germany.

Mr. FORSYTH (United Kingdom) replied that the United Kingdom authorities had noted very little in the way of such indirect traffic. Should they consider it necessary, at some future date, to require certificates of origin for goods imported from Germany, the United Kingdom authorities would not hesitate to enforce that measure.

The Chairman had the impression that several delegations wished to get into touch with the competent authorities in their respective countries before coming to a decision in the matter. He therefore thought it preferable to close the discussion for the time being.

The continuation of the discussion was adjourned to the next meeting.

5. Prohibition of Importation of Italian Goods: Question of the Application of Point (2) of Proposal III of the Co-ordination Committee: Conditions under which Goods lose their Italian Nationality: Examination of the Draft Resolution submitted by the Drafting Committee.

The following draft resolution was read:

"The Committee of Eighteen,
Having been requested by the Co-ordination Committee to follow the execution of the proposals submitted to the Governments and having been authorised to make any fresh proposals it might consider desirable;
"Referring to the second report of the Committee of Experts:
"Considers that the following proposals should be adopted:

(1) The proportion of 25 % laid down in the second paragraph of Proposal III shall be increased to 50 % as from . . . 1936;
(2) In determining origin from the point of view of sanctions, the provisions of the legislation and Customs regulations of the countries of importation shall, moreover, remain applicable to Italian goods having undergone processes in third countries which have increased their value by 50 % or more;
(3) Such processes shall not include summary operations which do not modify the extrinsic character of the product, such as grading, packing, sorting, gauging, marking, maturing, etc.;
(4) In determining the increase in value referred to in paragraph (2) of Proposal III, no account shall be taken of accessory costs such as those of transport, insurance, handling, etc."

Paragraph (1). Mr. FORSYTH (United Kingdom) said that his Government had instructed him to ask that a period of at least two weeks should be allowed to elapse between the adoption of this resolution by the Committee of Eighteen and the date on which the proportion of 25 % would have to be raised to 50 %.

The Chairman said that this was a matter for the Committee of Eighteen to decide.

Paragraph (1) was adopted.

Paragraphs (2) and (3). Paragraphs (2) and (3) were adopted with certain drafting amendments.

Paragraph (4). M. LÉCUYER (France) thought that the provision in paragraph (4) would cause great difficulty because it would be impossible for the Customs authorities to differentiate between the percentage of increase due to incidental charges and the percentage of increase due to the processes to which goods had been subjected in third countries.

M. SMETS (Secretariat) said that the question was not a new one and that, in point of fact, point (2) of Proposal III referred to processes to which goods had been subject and to work done on them outside Italy, but not to costs of transport and other so-called incidental charges. The only object, therefore, of paragraph (4) of the draft resolution was to enable Customs officers to ignore an increase in value owing to incidental charges. After all, even

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1 See Official Journal, Special Supplement No. 148, page 32.
if there were difficulties, the Customs authorities would always be free to draw their own conclusions, the onus of proof, in any case, resting with the importer.

M. LECUYER (France) asked whether countries which applied the 50 % rule took incidental charges into account in calculating the increase in value of the goods.

M. TREBICKI (Poland) thought that, generally speaking, the proportion of 50 % increase required by Poland must be the result of processing, but that, if the rule were to be applied with the precision laid down in paragraph (4) of the draft resolution, it would probably give rise to certain difficulties.

M. TEIXIDOR (Spain) referred to the following passage in the second report of the Committee of Experts:

"It is particularly difficult for the Customs authorities to determine the proportions in which the total c.i.f. value of any commodity at the time of its arrival in the country of importation comprises (a) its value at the time when it leaves the country of origin, and (b) the value which it subsequently acquires as the result of processes carried out in a third country."

For his part, he would like to hear the opinion of the experts on paragraph (4) before subscribing to this provision.

M. DE BORDES (Secretariat) thought that the main point was whether the provision in paragraph (4) would be useful to the Customs authorities or not. His view was that the Customs authorities might refer to it in disputed cases.

M. LECUYER (France) assured the Committee that the Customs authorities were already armed with sufficient powers to deal with these cases and that the adoption of a provision such as that set out in paragraph (4) would lead to considerable difficulties. Either the goods crossed a third country and were subject to practically no processing therein — in which case it would be vexatious to consider whether there had been an increase in their value — or else the goods had, in fact, been subject to processing in a third country, in which case it was impossible to differentiate between incidental charges and the costs of processing.

During the war, France had adopted the rule of the 50 % increase. At that time, she had never attempted to make the discrimination provided for in paragraph (4). In the present case, the Customs authorities were likely to apply this provision in a way that would be prejudicial to all concerned.

Mr. FORSYTH (United Kingdom) said he would not be able to express an opinion on paragraph (4) until he had been able to consult the United Kingdom Customs authorities.

M. DE BORDES (Secretariat) asked Mr. Forsyth to be good enough to avail himself of this opportunity to enquire of the Customs authorities whether the English word "process" included transport, handling, etc., or not.

Mr. FORSYTH (United Kingdom) said that personally he thought the term "process" referred to transformations and not to handling. This opinion was, of course, subject to confirmation by the United Kingdom Customs authorities.

The CHAIRMAN noted that the Committee approved the first three paragraphs of the draft resolution and wished to suspend judgment on paragraph (4). He pointed out that the form of the draft resolution would have to be modified before it could be submitted to the Committee of Eighteen.

The continuation of the discussion was adjourned to a later meeting.

FOURTH MEETING.

Held on Monday, March 9th, 1936, at 10.30 a.m.

Chairman: M. WESTMAN (Sweden).


M. VAN DER POEL (Netherlands) said that, in the Netherlands, difficulties had been experienced which were inherent in the system of certificates of origin. In his opinion, there were more false than true certificates of origin. It would, therefore, be dangerous to require...
them for all goods, for the Customs were, after all, less vigilant in regard to articles accompanied by a certificate than in regard to other articles. It would certainly be preferable only to require certificates of origin in respect of specific products mainly supplied by Italy, such as marble, certain fruits, etc.

The proposal relating to certificates of origin also raised another objection. M. van der Poel did not think that Germany could be induced to require a certificate of origin in respect of goods coming from States bound to her by the most-favoured-nation clause.

Another objection was that to ask for certificates of origin for all goods would be contrary to Article 11 of the Convention on Customs Formalities.

Lastly, the Customs authorities of any country could always turn back goods, even accompanied by a certificate, if the origin were open to suspicion. In any case, Customs officials usually knew, when they saw goods, from what country, and sometimes even from what factory, they came, and it was not easy to mislead them.

The Chairman did not think it could be said offhand that the most-favoured-nation clause prevented the introduction of a system of certificates of origin. If necessary, a legal opinion could be obtained on this point, but in any case he thought it was most doubtful. Moreover, the question was not a new one, and a reference to document No.: Co-ordination Committee/40 would show that it had already been discussed.

M. Trebicki (Poland) said that the Polish delegation had doubts, which the previous discussions had done nothing to dispel, regarding the competence of the Committee of Experts in regard to certificates of origin. The question affected the commercial relations of the Members of the League of Nations with countries other than Italy. M. Trebicki did not wish to express any definite opinion, but he thought it was by no means certain that the Committee of Eighteen itself could deal with the question as a whole. As far as Poland was concerned, moreover, it was a question of principle rather than a practical question, for the great majority of the products which would be subject to certificates of origin were liable to quotas in Poland, and it was hardly likely that third countries would place part of their quotas at Italy's disposal to enable her to evade the provisions regarding sanctions. Poland, of course, required certificates of origin for goods subject to quotas. In any case, M. Trebicki wished to warn the Committee against the disturbances which the introduction of a system of certificates of origin might create from the point of view of the execution of the commercial obligations entered into by the States Members of the League of Nations. Any attempt to go too far in this direction would be liable to infringe Conventions, and the complaints which might arise from this fact could only be answered by the most unconvinving arguments.

M. Lécuyer (France) well understood the Polish delegation's hesitations, but he thought they were due to the fact that the task of the Committee of Experts had been somewhat overlooked. The Netherlands expert had raised a very important legal question which, in reality, dominated the whole debate. It was not, however, a question which could be settled in that Committee. It was not for the experts to ask whether a particular measure was likely to be contrary to treaties; all they had to say was whether, in present circumstances, there were risks of fraud to be apprehended and, if so, whether it was possible to combat fraud by a system of certificates of origin.

M. Brown (Union of Soviet Socialist Republics) thought that the question of certificates of origin was of the greatest importance. Every effort must be made to reinforce the application of sanctions. At the same time, the steps taken must hinder international trade as little as possible. As Italy only exported certain products, would it not be well to have a list of them drawn up and to judge whether it would be useful and possible to set up a system of certificates of origin for the products on that list?

The Chairman thought that, for the purpose of the present discussion, the members of the Committee were sufficiently well acquainted with the products exported by Italy.

Mr. Forsyth (United Kingdom) said that the Customs authorities of the United Kingdom would prefer certificates of origin to be extended to all goods rather than to a limited number of products. It was quite true that the Customs, as a rule, knew the origin of the article submitted to them, but sanctions applied, not only to goods of Italian origin, but also to goods coming from Italy. Thus, an American motor-car sent from Italy would have to be refused admission.

Another reason for introducing a system of certificates of origin was to make the importer assume his share of responsibility. In the United Kingdom, for example, in virtue of the Order in Council adopted with regard to sanctions, a person who made false statements on the certificate of origin was liable to the severest penalties. Hence the obligation to make out a certificate of origin and fill it in accurately, subject to severe penalties, was eminently likely to make importers act with prudence.

Without wishing to go into the question of the competence of the Committee of Experts with regard to certificates of origin, Mr. Forsyth did not think it advisable to lay down a general rule applicable to all countries. It was better to leave each Government free to settle the question as it thought fit. The United Kingdom Customs Administration would, for its part, require a certificate of origin, not for a limited number of products, but for all goods.

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1 Document No.: Co-ordination Committee/10 (b) and 10 (b).
The CHAIRMAN said that it was not his impression that the Committee intended to recommend the introduction of certificates of origin as a compulsory and general measure. M. Lécuyer, it would seem, had only regarded the introduction of the system as a measure which could be adopted by countries wishing to do so. The Chairman proposed that a recommendation to this effect might be made by the Committee.

M. VAN DER POEL (Netherlands) thought that, if all the experts agreed that every country should be left quite free, it was useless to prolong the discussion. Reverting to an argument put forward by Mr. Forsyth with regard to certificates of origin, M. van der Poel said that, in the Netherlands, it was not necessary for a person to make false statements on a certificate of origin in order to be liable to punishment; the mere fact of deceit was attended by a penalty.

Mr. FORSYTH (United Kingdom) explained that the reason the United Kingdom Customs authorities preferred a certificate of origin extending to all goods was that they thought it would not be much use to send the Customs offices in the different ports a list of goods which would be added to the multitude of lists and regulations they already had to deal with daily and which would, in any case, have to be modified from time to time. They thought it more convenient to apply a system of certificates of origin once and for all to all goods.

The Chairman's proposal was adopted.

7. Third Report of the Committee of Experts to the Chairman of the Co-ordination Committee: Preliminary Examination of the Draft prepared by the Secretariat.

The CHAIRMAN drew attention to the draft report prepared by the Secretariat.1

M. LECUYER (France) recalled that, during previous discussions, he had opposed the provision reproduced in point 4 of the draft of Proposal III B annexed to the draft report, which read as follows:

"In order to render effective the application of Proposal III, Governments represented on the Co-ordination Committee:

4. Will not allow account to be taken, in determining the increase in value referred to in paragraph 2 of Proposal III, of accessory costs, such as those of transport, insurance, handling, etc."

Mr. FORSYTH (United Kingdom) said that he had consulted the United Kingdom Customs authorities as to whether the provision contained in paragraph 4 could be applied. Those authorities had given an affirmative reply.

M. LECUYER (France) did not wish to oppose the adoption of paragraph 4 and simply asked that it should be stated in the Minutes that the French experts had declared that the provision contained in that paragraph could not be applied by the French Customs.

The CHAIRMAN pointed out that, for the moment, the experts did not propose to submit an actual draft resolution to the Committee of Eighteen. They simply wished to set forth their views on certain points. As regards their form, the provisions of paragraph 4 might be made less categorical, the experts contenting themselves, for instance, with stating that, in their opinion, in determining the increase in value, no account should, in principle, be taken of accessory costs.

M. LECUYER (France) said that the French delegation could accept paragraph 4 if it were drafted in some such non-categorical terms.

The Committee decided to refer the draft report drawn up by the Secretariat to a Drafting Committee consisting of the experts of the United Kingdom, France, the Netherlands, Poland and the Union of Soviet Socialist Republics.

It was understood that the Drafting Committee would add a paragraph referring to the last paragraph of Proposal IV B (Indirect Supply).


Mr. FORSYTH (United Kingdom) drew the Committee’s attention to certain inconveniences, which were really unjustifiable, entailed by the strict application of Proposal III ² to touring motor-cars. For instance, if Proposal III were strictly interpreted, a British subject residing in Italy and owning an Italian motor-car could not bring his car into the United Kingdom,

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1 For the text of the report, see pages 38 and 39.
2 Document No.: Co-ordination Committee/40.
even if covered by a triptych, when he went there for his holidays. That anomaly could be remedied by the adoption of the following text:

"Motor-cars, if covered by a triptych or equivalent certificate, may be excepted from the prohibition."

M. van der Poel (Netherlands) thought that the introduction of motor-cars under the conditions mentioned by Mr. Forsyth was not equivalent to importation and therefore did not come within the scope of Proposal III.

Mr. Forsyth (United Kingdom) said that he willingly accepted that interpretation.

The Chairman noted that all the experts likewise accepted it.


Mr. Forsyth (United Kingdom) observed that "samples of no commercial value" were described in Article 1 of the draft Convention for the Purpose of facilitating Commercial Propaganda (document C.271.M.138.1935.II.B), dated July 15th, 1935, as samples "of no saleable value which can only be used for soliciting orders". He accordingly suggested that the following exception might be allowed:

"Samples which are of no saleable value and can only be used for soliciting orders may be excepted from the prohibition."

M. de Bordes (Secretariat) pointed out that as, in principle, the importation of Italian goods was prohibited in countries that were applying sanctions, it would be desirable to state the precise category of samples to which Mr. Forsyth's proposed exception would apply. He understood Mr. Forsyth to mean that the exception should apply solely to samples of goods hitherto manufactured in Italy which were intended to be produced in the importing country.

M. Van der Poel (Netherlands) thought it would not be illogical to permit the entry of all kinds of samples without value, because there was no reason why plans should not be made at the present time for the placing of orders to be carried out one or two years hence, by which time, it was to be hoped, the sanctions would no longer be in force. Moreover, it might be convenient to accept samples that might be of use in reaching arbitral settlements.

M. Lecuyer (France) thought that as the samples in question had no commercial value there was no risk in permitting their entry. In any case, the Customs authorities should not be burdened with duties that they would not be able to assume. It was certainly not for the Customs authorities to ascertain the destination and probable use of samples.

The Chairman asked whether it would not be sufficient, in this matter of samples, for the Committee to express an opinion without asking for the question to be settled by a special resolution of the Committee of Eighteen.

Mr. Forsyth (United Kingdom) replied that, so far as the United Kingdom Customs authorities were concerned, an opinion expressed by the Committee and mentioned in the Minutes would suffice.

Mr. Jepp (United Kingdom) proposed that it should simply be stated in the Minutes that the Committee was of opinion that samples without value, of Italian origin, might be imported.

M. Smets (Secretariat) observed that, under the draft Convention for the Purpose of facilitating Commercial Propaganda, it was for the Customs authorities themselves to decide whether any given sample was without value. He thought it would be well to mention that point in connection with the Committee's opinion.

M. Brown (Union of Soviet Socialist Republics) said he failed to see what advantage there could be in authorising the importation of Italian samples. So long as the sanctions against Italy were in force, there was a risk that the countries applying sanctions would, by admitting Italian samples, draw the attention of traders to the quality or cheapness of some article produced by Italy and thus create a current of opinion unfavourable to sanctions.

M. Assan (Roumania) thought it would be better to allow samples to enter, because, in any case, catalogues were not prohibited.

Mr. Forsyth (United Kingdom) gave an example to illustrate the reason for the proposal he had made. A Swedish firm might ask an English firm whether it could undertake the manufacture of hats which it had hitherto ordered from Italy. The Swedish firm might send to the British firm a few hats — duly deformed in order to deprive them of all commercial value — so that the English firm might see exactly what article was required. In such circumstances, ought the United Kingdom Customs authorities to refuse the admission of these samples?

M. Lécuyer (France) pointed out, in reply to M. Brown's objections, that the draft Convention for the Purpose of facilitating Commercial Propaganda very definitely restricted the concept of samples without value. Under the terms of that draft Convention, samples could only be articles unutilisable as goods.

The CHAIRMAN noted that the majority of the members of the Committee were in favour of Mr. Forsyth's proposal and held, accordingly, that there was no objection to admitting samples without value of Italian origin. Moreover, if any Government had doubts concerning some particular consignment, it could always submit the question to the Committee of Experts.

M. Loridan (Belgium), referring to M. Assan's statement that Italian catalogues could be admitted, asked whether that was, in fact, the view of the Committee. In Belgium, at any rate, the authorities had hitherto not held the view that catalogues enjoyed the derogation allowed in respect of Proposal III A.

M. Assan (Roumania) pointed out that if Italian catalogues were to be refused, a postal censorship would have to be set up.

M. Loridan (Belgium) replied that he had not intended to refer to catalogues sent to private individuals in sealed envelopes, but to consignments of catalogues on a large scale in casefuls.

M. Van der Poel (Netherlands) wondered why catalogues admitted through the post should be refused when sent in cases.

M. Loridan (Belgium) said that the two matters were entirely different. For his part, he had merely wished to raise the question. If the Committee was of opinion that Italian catalogues could be admitted, Belgium would conform to that view.

The CHAIRMAN noted that the Committee was of opinion that Italian catalogues should not be accorded entry.


Mr. Forsyth (United Kingdom) pointed out that under Proposal III, adopted by the Co-ordination Committee on October 19th, 1935, it was agreed that "the Governments of the Members of the League of Nations will prohibit the importation into their territories of all goods . . . consigned from . . . Italy or Italian possessions . . ." Since the prohibition to export goods to Italy was confined to specified classes of goods, exports of goods outside those classes continued to be made. Owing to the operation of Italian import restrictions, however, or for other reasons, such exports might not be taken up by the Italian consignee. He therefore suggested the adoption of the following text, so that the country that had consigned the goods could take them back:

"Goods other than goods of Italian origin which have been exported to Italy or Italian possessions but which have not been taken up by the consignee and which are reconsigned from Italy or Italian possessions to the original consignor may be excepted from the prohibition, provided that they have not been changed in any respect in consequence of their exportation to Italy."

M. Lécuyer (France) said that the question did not arise under the French text of Proposal III, as the goods would not be regarded as of Italian origin. The French Customs would only pass reconsigned goods if they were of French manufacture.

Mr. Forsyth (United Kingdom) explained that, in the same circumstances, the United Kingdom Customs would require goods to be of English manufacture. If the Committee agreed with him, it would be sufficient to state in the Minutes that the expression "consigned from" did not apply to goods reconsigned to the country that had consigned them and having the nationality of that country. These goods must, of course, have come from the latter country or have been manufactured there.

The Committee approved this interpretation.

11. Raw Materials from Italy indispensable to the Industry of some of the Countries applying Sanctions.

M. Lécuyer (France) stated that he would hand in a memorandum on this question which the Committee could examine at its next session.
FIFTH MEETING.

Held on Monday, March 9th, 1936, at 6 p.m.

Chairman: M. WESTMAN (Sweden).

12. Statistics of Trade with Italy.

The Committee took note of documents Nos.: Co-ordination Committee/Experts/9 and 9 Addendum containing figures of the foreign trade of the various countries with Italy.

M. de Bordes (Secretariat) stated that the Committee of Experts, in its second report, had indicated that the information received in reply to the questionnaire would be published. The Secretariat intended to wait until the statistics in question were more complete, and would thus possess greater value, before publishing them. The tables submitted to the Committee had been compiled from statistics already published, from data communicated unofficially to the Secretariat and from replies received to the questionnaire elaborated by the Committee at its second session. Such replies had been received so far only from the fourteen Governments enumerated in the document and from Belgium and the Netherlands, whose replies to the questionnaire had been received since the document was prepared.

He added that the figures given in the document were those relating to Table A of the questionnaire—that was to say, the figures for total trade. For Tables B and C, only very incomplete data were available at the moment.

M. Soubbotitch (Yugoslavia) stated that he had just received the Yugoslav Government's reply, which he would communicate immediately to the Secretariat.

The Chairman noted that the Secretariat appeared to have utilised sources other than the replies to the questionnaire. Although official, those figures had not been prepared by Governments in response to the Committee's request for information. It was difficult, therefore, to see how they could be published. If they were published, numerous commentaries would be necessary. Again, the figures were not established on a uniform basis: in some cases, they referred to special trade and, in others, to general trade. Consequently, the results did not admit of comparison but were nevertheless very interesting as indications.

M. Boulet (France) pointed out that the Sub-Committee of Statisticians had recommended the various countries to supply the figures for general trade so far as possible. Only certain countries had supplied those figures. In France, a supplementary analysis had been made in order to arrive at the figures for general trade. That had demanded a considerable amount of work, but the French Government had had no hesitation in undertaking it. It might, perhaps, be well to urge that other Governments should follow that example.

Mr. Forsyth (United Kingdom) explained that, in the United Kingdom, so far as exports to Italy were concerned, statistics were compiled every ten days for articles included in the list of prohibited goods. For imports, in addition to the formalities relating to certificates of origin and other measures with the same object, special statistics were collected of the goods constituting the greater part of Italy's exports, such as cheese, lemons, hemp, hides, marble, sulphur, leather gloves, felt hats, artificial silk fabrics, etc. That special supervision was in addition to the general supervision of imports.

Mr. Chapman (Secretariat) asked that the Committee should insist, as far as possible, on the importance of supplying figures for general trade and not those for special trade, which did not correspond to the actual imports.

The Chairman thought that the Secretariat should address a fresh request to Governments on the subject. Further, he desired to point out that Sweden, which appeared among the countries that had replied, had, in point of fact, supplied only a few figures. The reply to the questionnaire would be transmitted very shortly to the Secretariat.

The Chairman noted with interest that Austria, Hungary and Albania had replied officially to the questionnaire.

1 See Official Journal, Special Supplement No. 148, page 32.
2 See Official Journal, Special Supplement No. 148, pages 34 et seq.
13. Examination and Adoption, at a First Reading, of the Third Report of the Committee of Experts to the Chairman of the Co-ordination Committee.

The Committee examined the draft report prepared by the Drafting Committee appointed at the previous meeting.¹

M. Trebicki (Poland) reverted, in connection with point 7, to the reservation made on Poland's behalf concerning certificates of origin. He wished to maintain that reservation.

M. Assan (Roumania) noted that points 7 and 9 were treated differently, neither of them having been studied sufficiently. He suggested that the two questions might be treated on uniform lines.

The Chairman pointed out that the question of certificates of origin had been settled by the Committee, so far as the latter was concerned. The Committee recommended Governments to examine the possibility of requiring certificates of origin. Governments would do what they thought fit; there was no need for the Committee to revert to the question.

The position was different as regarded indirect trade, the Committee reserving the right to re-examine that question when the necessary conditions were fulfilled.

M. Assan (Roumania) pointed out that, as regarded the question of indirect trade also, the Committee would be in a position to supply some particulars concerning certain measures that might be taken. It might, for example, consider the possibility of following the imports of countries not applying the sanctions, in order to see if there was any abnormal increase in such imports. He had put forward a suggestion to that effect during the discussion on the methods of applying the petroleum embargo.² There was nothing to prevent the Committee from making a recommendation on those lines, while noting that the information in its possession was inadequate and deciding that it would be necessary to resume the discussion when it had more adequate data before it.

M. Lécuyer (France) agreed with M. Assan; Governments not only could but should take the necessary measures. Indeed, there was reason to believe that they had already done so. It did not appear essential, however, to allude to that necessity in the text now before the Committee, as reference to the matter had already been made in Proposal I and Proposal III.

He pointed out that the question dealt with under point 7 was much more advanced than that of indirect trade and that it was therefore quite logical not to deal with those two matters on uniform lines.

M. Assan (Roumania) said that he would not insist on his proposal to redraft the texts. Personally, he would have preferred a rather more constructive handling of point 7, concerning which reservations had been made. He would be satisfied, however, if due note were taken of his observations.

The Committee approved, at a first reading, the following text:

"Draft Report.

"1. At its meeting of March 2nd, 1936, the Committee of Eighteen had before it certain suggestions designed to make more effective the application of Proposal III adopted by the Co-ordination Committee on October 19th, 1935.

"On March 4th, the Committee of Eighteen asked the Chairman of the Co-ordination Committee to request the Committee of Experts to examine these suggestions, together with any other proposals which might be made during the session of the Committee of Experts.

"For this purpose, the Committee of Experts sat under the Chairmanship of M. Westman from March 6th to 9th, 1936.

"Determination of the Nationality of Goods.

"2. The first question which was discussed by the Committee was that which it had already examined at its second session — namely, whether, in Proposal III, the proportion of value to be added to Italian goods in other countries before they could be accepted as the "nationalised" products of those other countries and thus exempted from the embargo on Italian goods, was unduly low.³

"The Committee confirms the conclusion reached in its previous report — namely, that the application of the laws and decrees giving effect to Proposal III would be rendered easier were the percentage raised from 25 % to a far higher figure — for instance, 50 %.

"3. In order to obviate as far as possible any difficulties as regards interpretation, the Committee considers that it would be desirable to stipulate that minor operations which do not modify the extrinsic character of the products, such as maturing, grading, packing, sorting, gauging, marking, etc., should not be considered as "processes" within the meaning of paragraph 2 of Proposal III.

¹ See page 34.
² See page 21.
4. In principle, and in so far as discrimination is possible, no account should be taken in determining the increase in value referred to in Proposal III, paragraph 2, of incidental costs, such as those in respect of transport, insurance, handling operations, etc.

5. It is to be understood that, as regards the determination of origin, the Governments of countries of importation should continue to apply the provisions of their Customs legislation and regulations in regard to Italian goods whose value had been increased by the processes undergone in other countries to an extent greater than the percentage fixed by the Committee of Eighteen.

“Importation of Goods fully paid for.

6. The second question referred to contracts in respect of which payment had been made in full by October 19th, 1935.

The Co-ordination Committee decided, on November 2nd, 1935, that, by way of exception to Proposal III, such contracts might continue to be executed. It was suggested that a time-limit should be put to this derogation.

The Committee approved this suggestion, considering that it was desirable to obviate any abuses which might occur in the application of the derogation in view. It is desirable to fix a final date by which the parties concerned must supply the competent authorities with proof of the existence of contracts and of the fact that payment was made for them in full by October 19th, 1935.

“Proof of Origin.

7. In order to prevent goods grown, produced or manufactured in Italy or in Italian possessions from being imported after having been introduced into a country contiguous to or readily accessible from Italy or her possessions which is not applying Proposal III, the Governments which are applying that proposal should take into serious consideration the possibility of requiring certificates of origin for any goods or products coming from such country.

“Touring Vehicles.

8. The Committee, on considering the question of the temporary introduction of motor-cars, motor-cycles and bicycles covered by the triptych system or some similar system, took the view that the import prohibition should not apply in such cases.

“Indirect Trade.

9. On considering the question of indirect trade, the Committee found that the information at its disposal was not sufficient and that, in particular, it had not received some of the information which Governments had been requested to furnish under the last paragraph of Proposal IV B, dated November 6th, 1935. In these circumstances, the Committee was of opinion that the discussion of this subject could not usefully be resumed until the information in question had been received.”

After an exchange of views, the Committee decided not to distribute the foregoing text, which will be kept by the Committee to assist it, if necessary, in framing its third report.

It was agreed that, should it be thought necessary to communicate the said text to the Committee of Eighteen, the Chairman, after consulting M. de Vasconcellos, would convene a meeting of the Committee of Experts to take a decision accordingly.

The Committee further agreed, at the suggestion of Mr. Jebb, that the Chairman should summon a meeting for such a purpose, immediately on receipt of a request to do so from any one of its members.
FOURTH SESSION OF THE COMMITTEE OF EXPERTS
CREATED TO FOLLOW THE APPLICATION OF SANCTIONS
(Resolution of the Committee of Eighteen, dated November 6th, 1935.)

LIST OF MEMBERS.

Belgium: Baron de Traux de Wardin, Minister Plenipotentiary, Trade Department, Ministry for Foreign Affairs, Brussels.

United Kingdom: Mr. R. C. S. Stevenson, Assistant Adviser on League of Nations Affairs at the Foreign Office.

France: M. P. P. Boulet, Administrator of Customs at the Ministry of Finance.
M. E. C. A. Lagarde, Minister Plenipotentiary, Assistant Director at the Ministry for Foreign Affairs.

Greece: His Excellency M. R. Bibica-Rosetti, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate to the League of Nations.

Netherlands: M. J. van der Poel, Chief Inspector of Customs and Excise at Rotterdam.
M. O. Reuchlin, Secretary of the Permanent Delegation of the Netherlands to the League of Nations.

Poland: M. C. Trebicki, First Secretary at the Permanent Delegation of Poland to the League of Nations.

Roumania: M. G. Assan, Envoy Extraordinary and Minister Plenipotentiary of Roumania in Copenhagen.

Spain: M. J. Teixidor, Envoy Extraordinary and Minister Plenipotentiary, Secretary-General of the Permanent Delegation of Spain to the League of Nations.

Substitute: M. Antonio Espinosa y de San Martin, Secretary of the Permanent Delegation of Spain to the League of Nations.


Turkey: M. N. T. Seymen, Consul-General of Turkey at Geneva.
M. N. Veyssel, First Secretary of the Delegation of Turkey to the League of Nations.

Union of Soviet Socialist Republics: M. V. Brown, Secretary of Embassy.

Yugoslavia: Dr. Ivan Soubbotitch, Permanent Delegate of Yugoslavia to the League of Nations.

Substitute: M. Militch, Attaché at the Delegation of Yugoslavia to the League of Nations.