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PRELIMINARY CONFERENCE WITH A VIEW TO CONCERTED
ECONOMIC ACTION.

Report to the Council by Count MOLTKE, President of the
Conference.

The Conference convened in virtue of the Tenth Assembly's resolution relating to concerted economic action met at Geneva from February 17th to March 24th, 1930.

Having been invited by the Council to preside over this Conference, I now have the honour to submit a report on the results achieved.

Thirty Governments responded to the Assembly's appeal, and sent delegations. With the exception of three overseas countries (Colombia, Japan, Peru), all the countries represented were European. The composition of the Conference thus answered to the purpose which the last Assembly had in view, namely that the work of economic consolidation between States should begin with closer co-operation between European countries, other countries which might desire to participate being given an opportunity of so doing. Seven other overseas countries, including three non-Members of the League (Brazil, Mexico and the United States of America) sent observers.

An important feature of the Conference was that fifteen countries were represented by their competent Ministers, while the others sent their highest officials. This was the

first occasion on which those responsible for the direction of European Customs policy found themselves together, and their personal contact did much to facilitate the conclusion of the agreement reached.

The Conference represented the first stage in the concerted economic action recommended by the Assembly.

Did it achieve its purpose?

The Assembly looked to the Conference, on the one hand, for the conclusion, for a period of two or three years, of a sort of Customs Truce, and, on the other, for the establishment of a programme of future negotiations.

A preliminary draft Customs Truce framed by the Economic Committee served as a basis for the first part of the Agenda; no proposal had been placed before the Conference for the second part.

1. The Economic Committee's draft truce did not meet with the support of all the countries represented. Some regarded it as not very effective owing to the large number of exceptions requested, while others were unable to agree to the stabilisation, even for a short period, of a tariff situation which they consider inadequate in view of their present economic difficulties.

The Conference was thus obliged to abandon the scheme for a Customs Truce properly so-called and to seek other international guarantees which, while taking into account existing difficulties, would create the atmosphere of security regarded by the Assembly as indispensable from the standpoint of future negotiations. A draft submitted with this object by the French delegation was accepted as a basis for discussion by the Conference and enabled the latter to arrive at an agreement.

The Commercial Convention concluded after five weeks of laborious negotiation is thus very different from the Economic Committee's preliminary draft, in form, period of validity, and scope.

The Convention divides States into two groups according to whether or not they habitually employ the contractual consolidation of Customs duties. For the first group (to which the majority of the Continental States belong), it provides for the extension of bilateral commercial treaties for a period of one year, this being equivalent to stabilising, for that period, the tariff situation established by those treaties.

As regards the non-consolidated part of the tariffs, the Convention gives certain guarantees to States which consider themselves injured by tariff changes which one of the Contracting States might proceed to make; the Contracting Parties are required to notify one another twenty days beforehand of any increase in duties, and further, any State which considers itself injured has the right to demand that negotiations shall be opened and to denounce the multilateral Convention should such negotiations not result in an agreement. The obligation in regard to preliminary negotiations does not apply, however, to tariff increases which certain States might proceed to make in virtue of their existing laws (for example, the "lois de cadenas") or in view of exceptional circumstances. But even in such cases any Contracting Party which considers itself injured would have the right to denounce the multilateral Convention.

The countries belonging to the second group - including Great Britain, Denmark, Norway, the Netherlands and Portugal - accepted more formal obligations. They undertook not to increase their protective duties during the term of the Convention and recognised the right of the other Contracting Parties, as regards any increase in their fiscal duties, to denounce the multilateral Convention should they consider themselves injured thereby.

The Convention, which was concluded for a period of one year from April 1st, 1930, cannot become legally binding before the November of that year. A meeting of the Contracting States must first be convened by the Secretary-General of the League during the first half of November 1930 to fix the date of the coming into force of the Convention and, if necessary, to draw up a list of the States whose accession is considered indispensable for the coming into force of that Convention.

Although the Customs Union which was the original object of the Conference was not achieved, the prorogation of the commercial treaties, the obligation to engage in negotiations before imposing any increase in non-conventional tariff items, and the consolidation of

protective duties in countries with autonomous tariffs does, however, constitute a relative stabilisation of the present tariff situation. It is hardly conceivable that a Contracting State, unless driven by very serious reasons, to adopt such a course would take the responsibility of forcing another Contracting State to denounce the multilateral Convention which would probably be equivalent to the cancellation of the latter, in view of the close economic interdependence between the countries Parties to the Convention.

As already mentioned, the Convention has been concluded for a period of one year, from April 1st, 1930 to March 31st, 1931, but it may remain in force for successive periods of six months. It thus contains a nucleus for further development and makes it possible to continue the work begun.

In view of the special character of the Convention, everything must obviously depend upon the spirit in which it is applied. Particular importance attaches, therefore, to the provisions of Article XI, under which the Contracting States agree to apply it in a spirit of loyal co-operation.

The Convention was signed on the day that the Conference closed by eleven countries, (Austria, Belgium, Great Britain, Estonia, Finland, France, Germany, Italy, Luxemburg, the Netherlands and Switzerland) and has since been signed by seven others (Denmark, Greece, Latvia, Norway, Poland, Roumania and Sweden). Any Member of the League of Nations or non-member State may still accede to the Convention.

2. The Programme of Future Negotiations forms the subject of a Protocol in which the Signatory States recognise it as indispensable "that concerted action should be undertaken, directed to secure closer co-operation, the improvement of the régime of production and trade, the enlargement of markets, and to facilitate the relations of the European markets between themselves and with overseas markets, so as to consolidate economic peace between the nations".

The purpose of the proposed negotiations will be to determine the most effective means of adjusting economic conditions in the different countries, of organising more rationally the production and circulation of wealth, and of removing, as far as possible, unjustified hindrances which hamper the development of international trade.

Having thus traced the main lines for future negotiations, the Protocol sketches the procedure to be followed in preparing these negotiations.

The Governments of the Signatory States will forward to the Secretariat memoranda in answer to a general questionnaire included in the Protocol. These memoranda will be studied by the Economic Organisation which will formulate proposals on the concrete points with which the proposed negotiations should deal. These proposals will be submitted to Governments and after receiving the latter's replies or counter-proposals, the Council will draw up the subsequent procedure.

No date has been fixed for the forwarding of the Government memoranda, but as the Protocol provides that the negotiations properly so called are to begin before the expiry of the Commercial Convention, that is before March 31st, 1931, the memoranda will have to be submitted soon.

Without anticipating the results of these general negotiations, the Signatory States have decided to co-operate as far as possible in the solution of certain special problems, some of which are already being investigated.

It has been agreed:

- (a) to pursue the work relating to the unification of customs nomenclature. The Economic Organisation of the League is requested to prepare the foundations for an international agreement in the matter;
- (b) to take the steps required to allow a systematic comparison of tariffs and to codify certain provisions other than tariff provisions embedded in commercial treaties and, further, to study the establishment of a permanent body for arbitration and conciliation;
- (c) to collect, with the assistance of the Signatory States, all information relating to indirect protectionist practices and to study the possibility of international action to combat their effects;
- (d) to study the questions of export bounties and subsidies;
- (e) to omit in the present studies of veterinary measures, in order that a Conference may be convened as soon as possible for the conclusion of one or more international veterinary conventions;
- (f) to press forward the work on treatment of foreigners, unfair competition, customs formalities, double taxation, etc.....

Further, the signatories have agreed that in all subsequent work, regard shall be had to the recommendations and considerations which are embodied in the Annex to the Protocol and which relate to the following questions:

- 1) the adjustment of economic relations between industrial and agricultural countries;
- 2) the repercussion of collective agreements on the relations between the States Parties thereto and Third Parties;
- 3) various questions connected with international economic relation.

This chapter covers questions which the Economic Committee is already investigating, and other questions such as the recommendation concerning improvements in the matter of transport, more particularly the transport of agricultural products, concerning which the Communications and Transit Organisation is asked jointly with the Economic Organisation to undertake the necessary investigation.

The Protocol regarding the Programme of Future Negotiations constitutes an undertaking only between the Governments and is thus not subject to ratification by the national Parliaments. It has already been signed by twenty-three Governments, namely: Germany, Austria, Belgium, Great Britain, Denmark, Estonia, Finland, France, Greece, Hungary, Italy, Latvia, Lithuania, Luxemburg, Norway, The Netherlands, Poland, Portugal, Roumania, Sweden, Switzerland, Czechoslovakia and Yugoslavia.

In the Final Act which it adopted the Conference, recognising the importance of the markets of overseas countries for the economic life of Europe, recommends that the Economic Organisation of the League of Nations should undertake an objective investigation into the means of establishing close co-operation between Europe and overseas countries and should, in particular, consider in what respect trade relations might be improved with economic advantage.