THE WORK OF THE ECONOMIC COMMITTEE.


The Economic Committee has submitted to the Council a Report on its 8th and 9th Sessions. It would appear that valuable work has been done, and the Committee is to be congratulated on the activity it has displayed in regard to the various questions with which I propose briefly to deal.

1) The Committee has continued its preparations for the International Conference on Customs Formalities to be held on October 15th next. Specialists on Customs matters have been consulted, and Governments have made such observations as were suggested to them by the draft programme of the Conference. Taking into consideration the new factors thus introduced, the Committee has made a few further changes in the programme of the Conference. The final documents which have been forwarded to Governments are annexed to the Report submitted to you by the Committee.

2) The validity of arbitration agreements in commercial contracts whether referring to present or future differences has been thoroughly investigated. On several occasions the Committee has summoned meetings of experts to find a basis of agreement on this point. The Council will learn with satisfaction that the Committee's efforts have resulted in the drafting of a Convention, which has been submitted to all the States Members of the League. In accordance with the Council resolution of January 30th 1928, a protocol will be opened at the next Assembly to enable States to sign this draft
Convention if they desire to do so. It is to be hoped that the adoption of the provisions decided upon by the experts will provide a solution for this question, the great practical importance having rightly aroused great interest in the commercial circles of every country.

3) It is well known that the Economic Committee, when instructed by the Council in 1921 to study the meaning and scope of Article 23 of the Covenant regarding the equitable treatment of commerce, concluded that it was then impossible to put this Article into effect by means of a general Convention. It therefore decided to examine the special aspects of the question on which a solution appeared possible under present conditions. It has already thoroughly studied the question of fair competition; it has made preparations for the Conference on Customs formalities to which reference is made elsewhere; and finally it has considered an extremely important matter - the treatment of foreigners and foreign commercial undertakings - in connection with which it is submitting to you today the final results of its work, in accordance with the request of the Council, expressed in its resolution dated September 15th 1923.

The Committee very wisely considered that it was difficult as yet to approach the question of the whole principle of the admission of foreign undertakings into the territory of a State. It is of opinion that valuable progress would be made if the Members of the League put into effect, in respect of foreign undertakings which have already been admitted into their territory, the principles directly evoked from the idea of "equitable treatment of commerce". This is the Committee's object in submitting for the Council's approval the recommendation contained in its Report.
The Economic Committee thought of drafting a Convention on this point. It abandoned the idea on learning that the diversity of conditions in different countries would render it difficult to adopt too rigid a text. In order to ensure the application of the principles which it advocates, the Committee preferred the more elastic form of a recommendation. The terms of this recommendation have been carefully studied. Generally speaking, their proposed effect is to confer on foreign nationals and undertakings the benefit of the following principles: the same treatment as that accorded to nationals in fiscal matters; limitation of the taxable proportion of capital employed and income received in the country; liberty to acquire and dispose of the movable and immovable property required for economic activity; absence of discrimination in regard to fiscal treatment in the case of exportation of the yield from the sale of property; freedom of litigation. These general measures are advocated, subject to reciprocity and to any special conditions which may render them inapplicable in Protectorates, Colonies and Mandated Territories. It is incontestable that, at the present time, these principles are ignored to a greater or lesser extent in a large number of countries, and the Council will probably be of opinion that they would, if generally applied, contribute largely to the realisation of the equitable treatment of commerce which the Members of the League have undertaken to guarantee. I suggest that the Council should address to all Governments a pressing invitation to conform to the recommendations proposed by the Economic Committee and I have, therefore, the honour to submit to the Council a resolution approving the Committee's conclusions.

4) The International Committee of Agriculture, in a letter dated July 16th 1922 and addressed to the President of the Council of the League, requested to be placed under the direction of the
League of Nations. By a resolution dated January 30th, 1923, the Council instructed the Economic Committee to examine the advisability of placing the International Committee of Agriculture under the direction of the League of Nations; it also requested the Committee to consider "whether, from a merely technical point of view, it might not be advisable to interpret Article 24 of the Covenant in strict conformity with the letter of the text".

The Economic Committee, studied the two questions and expressed the opinion that Article 24 of the Covenant should be interpreted in a strictly literal sense and that only such international organisations as are established by general treaties should be placed under the direction of the League. The Committee, therefore, considered it impossible to place the International Committee of Agriculture under the direction of the League.

I think I am expressing the views of all my colleagues when I say that the Council highly appreciates the value of the work of the International Committee of Agriculture. In supporting the opinion of the Economic Committee, the Council will deeply regret the necessity of giving an unfavourable reply to the request of the International Committee of Agriculture.

It is, however, bound to come to this decision owing to the necessity on general grounds of restricting the interpretation of Article 24 of the Covenant in order to avoid any ambiguity in the work of the League.

I have the honour to submit to the Council a resolution approving the conclusions of the Economic Committee.
5. U. Vilfredo Pareto was appointed by the Council as Economic Expert to the Temporary Mixed Commission for the Reduction of armaments. He was unable to accept this post for reasons of health and the Council can only regret that the Temporary Mixed Commission should be deprived of his valuable assistance. Being instructed by the Council to propose another candidate, the Economic Committee has recommended Marquis Antonio de Vitti de Marco, Professor in Rome University, for the appointment. I propose that the Council adopt the Committee's proposal and appoint M. de Vitti de Marco as member of the Temporary Mixed Commission for the reduction of armaments.

6. The Economic Committee entrusted to a Committee of experts the work of investigating the methods by which the various national laws on Bills of Exchange could be co-ordinated. It decided with the approval of the Council to include on the Committee a German expert, the Committee already consisting of Professor Lyon-Caen, Dr. Jitte and Sir Mackenzie D. Chalmers. The appointment of this expert having met with certain difficulties, the Committee selected Professor Klein of Vienna University. The Council will certainly consider the appointment a fortunate one.

7. In June 1922, the Economic Committee transmitted to all Members of the League the provisional text of a draft convention on unfair competition. The Committee mentions that up to the present 18 States have forwarded their observations on these provisional regulations. The Committee is taking steps to obtain further replies in order to complete its records on this question, which should be considered in 1924 by the Conference of the Union for the Protection of Industrial Property.
8. The Third Assembly of the League of Nations requested the Economic and Financial Organisation "to arrange at an early date the scope and method of the collaboration", which the latter may be able to give as regards the enquiry into unemployment undertaken by the International Labour Office in pursuance to the decision taken on November 2nd 1921 by the Third International Labour Conference. In return, the Fourth Labour Conference instructed the International Labour Bureau in November 1922 to carry on this enquiry in co-operation with the Economic and Financial Organisation of the League of Nations.

With a view to defining the "scope and method" of such collaboration, the Director of the International Labour Office sent to the Secretary General of the League of Nations two letters dated March 22nd and May 2nd 1923, the terms of which have been incorporated by the Economic Committee in the Report submitted to you today. The Committee's report also reproduces textually the letter which Sir Arthur Salter, Director of the Economic and Financial Section, sent on May 19th, 1923 to M. Albert Thomas in reply to his previous communications.

These documents show that there were certain difficulties in the way of co-operation on the part of two bodies in a field of such wide extent and such intricacy as the problem of unemployment.

I am of opinion that the Council should take no action at all in the matter. It can only desire that an agreement should be reached as promptly as possible between the Economic and Financial Organisation of the League of Nations and the International Labour Office and express a recommendation that
no stop should be neglected which might in some degree mitigate the crisis from which the world of labour is now suffering.

9) In its report the Economic Committee gives a short account of the work hitherto accomplished for securing uniformity in the methods adopted in economic statistics, in conformity with the Council's resolution of September 16th, 1922.

The Committee of Enquiry has already succeeded in drafting important reports regarding price, international commerce, agricultural and fisheries statistics. These reports should be considered by the International Statistical Institute in October. The question of mining industry statistics and other statistics on production is under investigation.

The Council will no doubt note with satisfaction the great importance of the work already done. There is indeed ground for hoping that the procedure followed will continue to give fruitful results.

10) The Economic Committee states that the Permanent Sub-Committee on the Equitable Treatment of Commerce held two sessions concurrently with the sessions of the Committee. It has succeeded in drawing up an extremely important recommendation referring to the treatment of foreigners and foreign undertakings, which I have just proposed to the Council for adoption.
1. Conference on Customs Formalities.

The Council is gratified to learn that, in pursuance of the programme which it approved last January, the Economic Committee has been able to complete and to communicate to the States which are being invited, the final documentary material for the Conference, in sufficient time to enable the States in question to give the necessary attention to the proposals of the Committee before the departure of their delegates for the Conference.

In view of the fact that the object of the Conference is to simplify existing customs formalities, to adopt them to the requirements of commerce, and to ensure that all States shall receive equitable treatment as regards their application, the Council expresses the hope that as large a number of States as possible will participate in the Conference.


As regards the draft protocol on arbitration clauses which the Economic Committee has communicated, with the approval of the Council, to all States Members of the League, notifying them at the same time that it is proposed to open the protocol, at the next Assembly, for the signature of all Members who may desire to adhere to it,

the Council, having regard to the importance attached to this question in commercial circles, where it is regarded as a means of facilitating trade,
desires to draw the special attention of the States to this draft protocol and to point out that this question will be discussed at the next Assembly (Item 12 of the Agenda) and invites them to give their delegates to the Fourth Assembly the necessary instructions in regard to adherence to this protocol.

3. TREATMENT OF FOREIGN NATIONALS AND ENTERPRISES.

Whereas the Council of the League of Nations considers that the grant of the legal, administrative, fiscal and judicial guarantees necessary for nationals, firms or companies of any States Members of the League who are permitted to carry on their commerce, industry or any other occupation within the territory of another State Member of the League, or to establish themselves there, is one of the requirements of economic co-operation between nations:

The Council recommends to all States Members of the League the following principles, which they should seek to put into practice both by the adoption of their national legislation to this end and by the conclusion of bilateral agreements:

(1) In the case of persons, firms or commercial, industrial, financial or insurance companies permitted to establish themselves within the territory of another State in conformity with its laws and regulations, the granting of the treatment accorded to nationals in fiscal matters should be maintained as an absolute rule. Such persons, firms or commercial, industrial, financial or insurance companies should in no
case be subjected, as regards their goods, industry, commerce or any other form of economic activity, to general or local taxes, or to duties of any kind whatever, different from or higher than those which are imposed on the nationals of the State concerned, subject to special exceptions which could only be justified by requirements of the public interest and which should be applicable to all nationalities without distinction.

(2) If in any case a person, firm or company is admitted to carry on an industry, commerce or any other occupation in a country without being established in that country, the treatment in fiscal matters of such person, firm or company should not be such as to place them in a position of inferiority as compared with nationals, subject only to the exception mentioned in the preceding article.

(3) Where a foreign business established in the territory of a State is a branch of or subsidiary to a business of which the seat of control is in another State, the principle to be followed as regards the taxation of the business should be that taxes imposed in the country in which the foreign business is so established should be strictly limited, if levied on capital, to the capital really invested in that country, and if levied on profits or revenues, to those arising from the business activities carried on in that country.

(4) Foreign persons, firms or companies of a member of the League permitted to establish themselves within the territory of any of the other States Members of the League should be entirely free to acquire and to possess property of all kinds, whether real or personal, which is necessary for their economic activities and which the laws of the foreign State in question permit or may thereafter permit to the nationals of another State to acquire and to possess.
(5) Such persons, firms or companies should be able to dispose of their real or personal property referred to in the preceding article, especially with regard to cession, exchange, gift, or legacy, in accordance with the regime accorded to nationals, applicable without modification or restrictions of any kind.

(6) The fiscal regime applicable to the export of the product of the sale of real and personal property by the said persons, firms or companies, and the regulations with regard to the foreign currency acquired as a result of such exportations should not differ according to the nationality of the exporter.

(7) Persons, firms or companies permitted to establish themselves within the territory of a State Member of the League should be entitled, in defence of their rights, to appear in court, either as plaintiff or as defendant, in accordance with the laws of the State in question.

(8) The above provisions shall be applicable subject to just reciprocity and without prejudice to any further facilities which by virtue of the powers conferred upon them by their systems of law, certain States might grant to each other without thereby injuring the interests of third States or of their nationals.

(9) It is agreed that nothing in the present articles requires a State to grant their benefit to a company of which it can be proved that the financial control is in the hands of the nationals of a State which has not accepted the present recommendations, or of which the so
of control is situated in the territory of such a state.

(10) While the principles of equitable treatment embodied in the present articles should be universally observed throughout the territories placed under the sovereignty or authority of States Members of the League, it is recognised that there may be special cases of overseas colonies, protectorates or territories under mandate in which it is impracticable to apply some of the detailed provisions of this articles, or in which they can only be applied subject to modifications necessary to adapt them to special and local circumstances.

In the cases referred to, the States concerned will apply a regime which will respect the principles of the present articles.

4. Article 24 of the Covenant.

The Council:

(a) While emphasising the value which it sets on the collaboration of unofficial organisations in the study of special questions, and on its freedom to solicit the opinions of these organisations, without however prejudicing their autonomy,

is however of the opinion:

1. That it is not desirable to risk diminishing the activity of these international voluntary organisations, the number of which is fortunately increasing, by steps which might have been even the appearance of official supervision;
That Article 24 of the Covenant refers solely to international bureaux which have been actually established by general conventions. The Council therefore adopts the opinion expressed by the Economic Committee that the selection of one of these organisations for the special recognition which is provided for in Article 24 of the Covenant might give rise to difficulties.

The Council accordingly considers that it will be desirable in future only to accord the recognition provided for in Article 24 to international organisations dealing with matters of general economy which have been created by collective diplomatic conventions.

(b) And while fully recognising the value of the work carried out by the International Commission and of its importance from the point of view of the interest of agriculture, the Council further considers that, in conformity with the above resolution, it is impossible to place this Commission under the authority of the League of Nations.