CONTINUED INTEREST OF THE UNITED STATES IN EFFORTS OF THE LEAGUE OF NATIONS TO PROMOTE COMMERCIAL ACCESS TO RAW MATERIALS[1]

500.C1199/321

The Chargé in Switzerland (Bigelow) to the Secretary of State

No. 242 BERN, February 18, 1938.
L. N. No. 115 [Received March 8.]

SIR: I have the honor to transmit herewith a circular letter, No. 32,[2] addressed to the Secretary of State on February 17, 1938 by the Secretary General of the League of Nations, with its enclosure (document C.577.M.411.1937.II.B.), a copy of the Economic Committee's report to the Council on the work of its forty-seventh session, Part I of which deals with commercial access to raw materials. The Secretary General requests the Government of the United States to be good enough to transmit to him its observations on the Economic Committee's conclusions and the Council's suggestions, mentioned in the circular letter.

Respectfully yours, DONALD F. BIGELOW

500.C1199/321

The Secretary of State to the Minister in Switzerland (Harrison)

No. 341 WASHINGTON, June 10, 1938.

SIR: Reference is made to the Legation's despatch No. 242, February 18, 1938, enclosing a circular letter from the Secretary General of the League of Nations, requesting the observations of this Government regarding the principles formulated by the Economic Committee of the League, with respect to commercial access to raw materials, in its report to the Council on the work of its forty-seventh session. You are instructed to transmit the following observations of this Government to the Secretary General of the League of Nations:

1. The Government of the United States has studied with a great deal of interest the comments of the Economic Committee upon the report of the Committee for the Study of the Problem of Raw Materials and the principles which the Economic Committee has formulated regarding commercial access to raw materials, to which, in the

[1] For previous correspondence, see *Foreign Relations*, 1937, vol. I, pp. 803 ff.
[2] Not printed.

opinion of the Committee, governments should conform, so far as possible, both in their metropolitan territories, and in the colonies, protectorates and other territories over which they exercise effective authority. The considerations mentioned in paragraph 4 of the Committee's comments on commercial access to raw materials, and the other difficulties which might be encountered in securing action on this subject are recognized by the Government of the United States, but it is felt nevertheless that the possibility of prompt action should be given further and continuous consideration. For its part, the Government of the United States will be prepared to give the most sympathetic consideration to whatever action may be proposed.

2. It is the opinion of the Government of the United States that action in this field should be as far-reaching and as effective as proves to be possible. In this respect it is felt that the third principle formulated by the Committee, concerning international regulation schemes relating to the supply of raw materials,[3] falls short of supplying the assurances that should be extended to the consumers of raw materials regulated by such schemes. Although the Government of the United States is sympathetic to efforts to organize production and marketing efficiently and on a remunerative basis, it is felt that there is need for much more study and specific consideration of the problems created for consumers in connection with international control schemes. It is the opinion of the Government of the United States that it would be unfortunate if this third principle should be adopted as at present drafted, countenancing insufficiently safeguarded restrictions on the movement of raw materials by international agreement or control. This declaration appears to leave the way open, with insufficient safeguards, to the sort of restriction on the supply and movement of raw materials, through the action of international groups, which would be condemned as unwarranted and untenable on the part of individual governments under the first principle formulated by the Committee.

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[3] The third part of Section I of the report of the Economic Committee reads as follows:

"C. International Regulation Schemes relating to the Supply of Raw Materials.

"International regulation schemes should be so framed as to admit effective association of consuming interests with their administration, and to make available adequate information regarding their operation. They should be administered in such a way as to provide consumers with adequate supplies of the regulated material, to prevent so far as possible, the price of the regulated material from rising to an excessive height and to keep that price reasonably stable.

"In so far as Governments are themselves parties to a scheme, they will of course be responsible for seeing that the scheme is framed and administered in accordance with these principles.

"In so far as Governments are not themselves parties to a scheme, they should be ready, so far as circumstances permit, to use their influence to secure the application of these principles by their nationals parties to the scheme.

"In either event, they should be ready to take all possible steps to ensure the investigation of complaints by other countries in regard to the operation of the scheme."

The observations of the Government of the United States upon this point will be limited at present to the brief remarks set forth above, but it is prepared to discuss the problems involved in this field in greater detail.

Please supply the American Consul at Geneva with a copy of this instruction. In any discussions regarding this subject which may arise with the Secretariat, reference can be made to the Department's telegram No. 164 of December 3, 1937, 5 p. m., to Geneva,[4] transmitting for Thompson from Grady [5] comments, prepared after consultation with this Department, regarding the Secretariat's draft declaration concerning commercial access to raw materials; the comments contained in that telegram apply equally well to the draft declarations now under consideration.

Very truly yours, For the Secretary of State:
FRANCIS B. SAYRE

500.C1199/343 : Telegram

The Consul at Geneva (Bucknell) to the Secretary of State

GENEVA, June 30, 1938—5 p. m.
[Received June 30—1:35 p. m.]

146. Grady informs me as follows:

Secretariat officials have expressed to him their concern over Department's observations on the general principles formulated by Economic Committee respecting commercial access to raw materials. While they understand that the United States might wish to have on record a reiteration of its emphasis on increasingly effective consumer participation in international regulation schemes they express surprise that the United States considers that it would be unfortunate if the general statement "international regulation schemes should be so framed as to admit effective association of consumer interests in their administration and to make available adequate information regarding their operation" et cetera, should be adopted and particularly at the charges that this statement countenances insufficiently safeguarded restrictions on the movement of raw materials by international agreement or control and would leave the way open to the sort of restriction condemned under the first principle formulated by the Committee.

Grady has been asked whether the reply indicates that the United States desires to press for a League study of international regulation

[4] *Foreign Relations*, 1937, vol. I, p. 823.

[5] Henry F. Grady, American member of the Economic Committee of the League of Nations; in Mr. Grady's absence, he had been represented by Llewellyn F. Thompson, American Consul at Geneva.

schemes or to take steps leading toward an international conference on this subject. Leith-Ross indicated at the last meeting of the Economic Committee the British view that the diversity of conditions made it impossible to lay down specific rules on consumer representation applicable to all regulation schemes and that they should be dealt with individually. He felt and Grady concurs that the report went as far as a general statement of this kind could go. (Consulate's despatch No. 107, political, December 13, 1937 [6] and enclosure).

Grady desires to know what attitude he should adopt in the event he is pressed in the Committee for specified elaboration of the United States observations referred to above. He is particularly disturbed over the relationship of this question to the conversations which are expected to come up in the Committee looking to the possibility of an expert inquiry into the world cotton situation. The replies so far received generally indicate that the time is not yet ripe for further action on the Economic Committee's statement of principles. An expansion in the Committee at this time of the United States observations along the lines of the Department's telegram 164, December 3, 5 p. m., would appear needlessly to commit the United States idea to a degree of consumer participation in an eventual cotton control scheme, should that develop, which might be embarrassing in negotiations.

The United States reply will not be circulated until Monday.

BUCKNELL

500.C1199/343 : Telegram

The Secretary of State to the Consul at Geneva (Bucknell)

WASHINGTON, July 2, 1938—1 p. m.

81. The observation of the Secretariat officials that you report in your 146, June 30, 5 p. m., seems to be based on misinterpretation or misunderstanding of our attitude. Department certainly is not suggesting the omission of any statement of the nature of that quoted, but is expressing the view that the statement is neither decisive or extensive enough. It is realized that the actual arrangements for consumer participation would have to vary in the case of each international production arrangement. On the other hand, it is believed both feasible and essential to formulate some general statement regarding the character of that representation and the objectives of the restriction schemes that is applicable to all of them.

Just by way of completely tentative suggestion the Department puts forward the following alternative presentation:

"All international regulation schemes should provide adequate participation of consumer interests in their administration of such a

[6] Not printed.

character as to extend effective protection to the legitimate interests of such consumers and to guard against the imposition by the restriction schemes of unfair burdens upon consumers. The schemes should be administered in such a way as to make available at all times adequate supplies of the regulated material to consumers within a relatively stable price range which is reasonable with regard to the costs of efficient production."

For Grady's background information: Department's contemporary experience with the operation of the tin and rubber restriction plans [7] proves how difficult it has been to secure for consumers' representatives any real influence, how inadequate and difficult it is to determine from the material made available, the reasonableness of prices in relation to cost, and how dominant the controlling producers' attitude is likely to be.

Therefore a strengthening of the statement on the line of consumers' protection seems to be important. Leith-Ross' [8] explanation of the difficulties is read here in connection with the fact that the British interests represented in tin and rubber have always done their utmost to sustain price, no matter how strict or far-reaching the necessary reduction in production. The working arrangements between the British Government and the producers' interest is very close. End background.

Replying to other queries in your cable:

(1) This Government does not wish to suggest a League study of international regulation schemes or to take steps looking towards an international conference on this subject.

(2) It is suggested that the attitude outlined above should create no embarrassment to the conversations dealing with arrangements for a cotton agreement. This Government would willingly accept arrangements for adequate and effective consumer representation in any cotton control scheme, just as it took the initiative in securing consumer participation in the International Sugar Agreement.[9]

HULL

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[7] For correspondence relating to the restriction of rubber production, see pp. 925 ff.

The United States was not a party to the agreement effective March 1, 1931 (subsequently renewed and extended) to regulate the production and export of tin through an international committee representing Bolivia, Malaya, Netherlands East Indies and Nigeria; for text see British Cmd. No. 4825, *Papers Relating to the International Tin Control Scheme* (London, 1935). See also *Tin Investigation: Report of the Subcommittee of the House Committee on Foreign Affairs . . . on H. Res. 404, 73d Congress, 2d Session and H. Res. 71, 74th Congress, 1st Session, to Authorize an Investigation into the Extent to Which the United States is Dependent upon Foreign Nations for its Supply of Tin, and for Other Purposes*, 1934–1935 (Washington, Government Printing Office, 1935), pp. 517 ff.

[8] Sir Frederick Leith-Ross, chief economic adviser to the British Government.

[9] See *Foreign Relations*, 1937, vol. I, pp. 931 ff.

500.C1199/347 : Telegram

The Consul at Geneva (Bucknell) to the Secretary of State

GENEVA, July 12, 1938—noon.
[Received July 12—9 : 33 a. m.]

154. The final report of the Economic Committee,[10] due to the recent change which has occurred in the tendencies in the United States affecting the general situation, does not contain the extreme pessimism to be found in the Committee's preliminary documents. While admitting present impossibility of multilateral agreements of a general character and pointing out the new or accentuated economic and political difficulties it states that

"progress is possible through the conclusion of bilateral commercial agreements designed to bring about a progressive relaxation of the principal barriers to trade arising from excessive customs tariffs, quotas and exchange control.

A remarkable example is to be found in the efforts made in this direction in recent years by the United States Government and in the results achieved under the guidance of Mr. Hull.

Progress is also possible through collective inquiries and discussions having as their object the investigation of measures for the improvement of material well-being.

For such action to be successful it is clearly desirable that the largest number of states should collaborate; but the cooperation of all nations is not indispensable in this connection."

There was little discussion and no further action on raw materials but note was taken of replies so far received from governments. The Polish member expressed the disappointment of his Government that the colonial angle had been ignored. Grady expressed the view of our Government that greater emphasis might have been placed on more effective consumer representation in control schemes.

Four members of the Economic Committee, including Grady, were appointed to the Mixed Committee to coordinate the work of the various activities of the economic and financial organization. Badulesco, Rumania, and Elbel, France, were appointed assessors to the Second Committee of the next Assembly.

The cotton question did not come up in discussion in the Committee but at a private meeting of Stoppani,[11] Grady, Leith-Ross and an Egyptian. It developed that preliminary inquiries of the British and Brazilians showed a lack of sympathy and that further exploitation of the attitude of Great Britain and Brazil are necessary before a decision can be reached on the calling of an expert committee.

BUCKNELL

[10] League of Nations, *Official Journal*, November 1938, Annex 1730, p. 1088 (C.233.M.132.1938.II.B.).

[11] Pietro Stoppani, Director of the Economic Relations Section, League of Nations Secretariat.