

Geneva, March 10th, 1938.

**LEAGUE OF NATIONS****CONFERENCE FOR THE REDUCTION AND LIMITATION OF ARMAMENTS****NATIONAL SUPERVISION OF THE MANUFACTURE  
OF AND TRADE IN ARMS****Action taken on the Resolution adopted by the Assembly  
of the League of Nations on September 30th, 1937.***Note by the Secretary-General:*

On September 30th, 1937, the Assembly of the League of Nations adopted the following resolution :

“ The Assembly,

“ Considering it desirable that a first step should be taken towards the conclusion of a general convention for the reduction and limitation of armaments, and that accordingly use should be made of the work done by the Disarmament Conference :

“ . . . . . 1

“ 2. Recommends the Members of the League each in so far as it is concerned and to the extent that this has not already been done, to examine the possibility of adopting internal measures with a view to the effective supervision of the manufacture of and trade in arms, ammunition and implements of war, on the basis of the work done by the Special Committee of the Disarmament Conference ;

“ And asks Governments to inform the Secretary-General of the League of Nations of the action taken on this recommendation ;

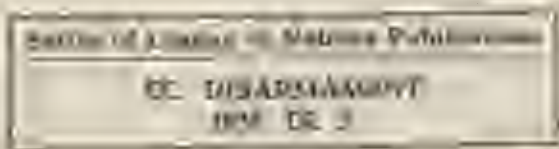
“ 3. Requests the Secretary-General to communicate the present resolution to the States not members of the League of Nations.”

On October 23rd, 1937,<sup>2</sup> the Secretary-General communicated the text of this resolution to the States Members of the League of Nations and to all the Governments which are or have been represented at the Conference for the Reduction and Limitation of Armaments.

The present document gives an account of the communications received as a result of the Assembly recommendation, with reference to the national supervision of the manufacture of and trade in arms, ammunition and implements of war.

<sup>1</sup> The first part of the Assembly resolution concerns the publicity of national defence expenditure. See, in this connection, documents Conf.D.178, 178(a) and 178(b).

<sup>2</sup> Circular letter Conf.D./C.L.17.



The replies from the Governments of the following States are reproduced hereunder :

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The Governments of the following States have acknowledged receipt of the Secretary-General's communication : **Chile, Guatemala, Mexico, Nicaragua and Peru.**

## UNITED STATES OF AMERICA.

Berne, December 3rd, 1937.

Acting under instructions from my Government, I have the honour to transmit herewith a note, addressed to you on November 22nd, 1937, by the Secretary of State, together with its enclosures, in reply to your communication, File No. Conf.D./C.L.17(c), of October 23rd, 1937, concerning the resolution which was adopted by the Assembly on September 30th, relative to the conclusion of an international convention on the publicity of national defence expenditure, and in regard to the adoption of internal measures with a view to the effective supervision of the manufacture of and the trade in arms, ammunition, and implements of war.

(Signed) Leland HARRISON,  
*American Minister.*

Department of State, Washington, November 22nd, 1937.

The Secretary of State of the United States of America refers to a note dated October 23rd, 1937, from the Acting Secretary-General of the League of Nations, enclosing a copy of a resolution adopted by the Assembly of the League of Nations on September 30th, 1937, in regard to the conclusion of an international convention on the publicity of national defence expenditure and the working of an organ of supervision and co-ordination, and in regard to the examination of internal measures with a view to the effective supervision of the manufacture of and trade in arms, ammunition, and implements of war.

With respect to the first recommendation embodied in the resolution of the Assembly of the League of Nations, the views of the Government of the United States of America concerning publicity of national defence expenditures were communicated to the Secretary-General, in his capacity as Secretary-General of the Conference for the Reduction and Limitation of Armaments, in a note dated August 18th, 1937.<sup>1</sup>

In regard to the second recommendation embodied in the resolution, the Secretary of State wishes to call attention to the fact that the United States of America has adopted and is now enforcing domestic legislation of a character which would enable it to comply with practically all of the provisions of the Convention for the Supervision of the International Trade in Arms, Ammunition, and in Implements of War, signed at Geneva June 17th, 1925, and of the Draft Articles for the Regulation of the Trade in and Private and State Manufacture of Arms and Implements of War, approved April 12th, 1935, by the Committee of the Disarmament Conference for the Regulation of the Trade in and Private and State Manufacture of Arms and Implements of War. There are enclosed two copies of the Joint Resolution of Congress approved May 1st, 1937, amending the Joint Resolution approved August 31st, 1935, as amended, Section 5<sup>2</sup> of which establishes a procedure for the supervision of the manufacture of and trade in arms, ammunition, and implements of war; two copies of the fourth edition of the pamphlet *Laws and Regulations Administered by the Secretary of State Governing the International Traffic in Arms, Ammunition, and Implements of War and Other Munitions of War*; and one copy of the First Annual Report of the National Munitions Control Board for the year ending November 30th, 1936.

### Notes by the Secretariat :

<sup>1</sup> See document Conf.D.178.

<sup>2</sup> The text of this Section is reproduced as an Annex.

The other documents communicated by the Government of the United States have been placed in the archives of the Secretariat.

The present system in the matter of national control of the manufacture of and trade in arms will be examined, and extracts from the relevant texts will be reproduced, in document Conf.D.184 (Enquiry undertaken by the Secretariat in execution of the Bureau's resolution of May 31st, 1937).



Annex.

EXTRACT FROM THE JOINT RESOLUTION OF MAY 1ST, 1937 (" NEUTRALITY ACT ").

*National Munitions Control Board.*

Section 5. — (a) There is hereby established a National Munitions Control Board (hereinafter referred to as the " Board ") to carry out the provisions of this Act. The Board shall consist of the Secretary of State, who shall be Chairman and executive officer of the Board, the Secretary of the Treasury, the Secretary of War, the Secretary of the Navy, and the Secretary of Commerce. Except as otherwise provided in this Act, or by other law, the administration of this Act is vested in the Department of State. The Secretary of State shall promulgate such rules and regulations with regard to the enforcement of this section as he may deem necessary to carry out its provisions. The Board shall be convened by the Chairman and shall hold at least one meeting a year.

(b) Every person who engages in the business of manufacturing, exporting, or importing any of the arms, ammunition, or implements of war referred to in this Act, whether as an exporter, importer, manufacturer, or dealer, shall register with the Secretary of State his name, or business name, principal place of business, and places of business in the United States, and a list of the arms, ammunition, and implements of war which he manufactures, imports, or exports.

(c) Every person required to register under this section shall notify the Secretary of State of any change in the arms, ammunition, or implements of war which he exports, imports, or manufactures ; and upon such notification the Secretary of State shall issue to such person an amended certificate of registration, free of charge, which shall remain valid until the date of expiration of the original certificate. Every person required to register under the provisions of this section shall pay a registration fee of \$500, unless he manufactured, exported, or imported arms, ammunition, and implements of war to a total sales value of less than \$50,000 during the twelve months immediately preceding his registration, in which case he shall pay a registration fee of \$100. Upon receipt of the required registration fee, the Secretary of State shall issue a registration certificate valid for five years, which shall be renewable for further periods of five years upon the payment for each renewal of a fee of \$500 in the case of persons who manufactured, exported, or imported arms, ammunition, and implements of war to a total sales value of more than \$50,000 during the twelve months immediately preceding the renewal, or a fee of \$100 in the case of persons who manufactured, exported, or imported arms, ammunition, and implements of war to a total sales value of less than \$50,000 during the twelve months immediately preceding the renewal. The Secretary of the Treasury is hereby directed to refund, out of any moneys in the Treasury not otherwise appropriated, the sum of \$400 to every person who shall have paid a registration fee of \$500 pursuant to this Act, who manufactured, exported, or imported arms, ammunition, and implements of war to a total sales value of less than \$50,000 during the twelve months immediately preceding his registration.

(d) It shall be unlawful for any person to export, or attempt to export, from the United States to any other State, any of the arms, ammunition, or implements of war referred to in this Act, or to import, or attempt to import, to the United States from any other State, any of the arms, ammunition, or implements of war referred to in this Act, without first having obtained a licence therefor.

(e) All persons required to register under this section shall maintain, subject to the inspection of the Secretary of State, or any person or persons designated by him, such permanent records of manufacture for export, importation, and exportation of arms, ammunition, and implements of war as the Secretary of State shall prescribe.

(f) Licences shall be issued to persons who have registered as herein provided for, except in cases of export or import licences where the export of arms, ammunition, or implements of war would be in violation of this Act or any other law of the United States, or of a treaty to which the United States is a party, in which cases such licences shall not be issued.

(g) Whenever the President shall have issued a proclamation under the authority of section 1 of this Act, all licences theretofore issued under this Act shall *ipso facto*, and immediately upon the issuance of such proclamation, cease to grant authority to export arms, ammunition, or implements of war from any place in the United States to any belligerent State, or to any State wherein civil strife exists, named in such proclamation, or to any neutral State for transshipment to, or for the use of, any such belligerent State or any such State wherein civil strife exists ; and said licences, insofar as the grant of authority to export to the State or States named in such proclamation is concerned, shall be null and void.

(h) No purchase of arms, ammunition, or implements of war shall be made on behalf of the United States by any officer, executive department, or independent establishment of the Government from any person who shall have failed to register under the provisions of this Act.

(i) The provisions of the Act of August 29th, 1916, relating to the sale of ordnance and stores to the Government of Cuba (39 Stat. 619, 643 ; U.S.C., 1934 ed. title 50, sec. 72), are hereby repealed as of December 31st, 1937.

(j) The Board shall make an annual report to Congress, copies of which shall be distributed as are other reports transmitted to Congress. Such reports shall contain such information and data collected by the Board as may be considered of value in the determination of questions connected with the control of trade in arms, ammunition, and implements of war. The Board shall include in such reports a list of all persons required to register under the provisions of this Act, and full information concerning the licences issued hereunder.

(k) The President is hereby authorised to proclaim upon recommendation of the Board from time to time a list of articles which shall be considered arms, ammunition, and implements of war for the purposes of this section.

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## BELGIUM.

[Translation.]

Brussels, November 10th, 1937.

With reference to your letter of October 23rd last, Conf.D./C.L.17(a), I have the honour to inform you that the Belgian Government has appointed a Royal Commissioner to study and report on the problem of the supervision, manufacture of and trade in war materials, ammunition and implements of war.

When this report has been received, the Government will consider what rules should be laid down in this connection.

For the Minister :

(Signed) F. VAN LANGENHOVE,  
Secretary-General.

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## UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND.

London, December 10th, 1937.

I am directed by Mr. Secretary Eden to refer to the letter Conf.D./C.L.17(a) of October 23rd, in which the Acting Secretary-General asked to be informed of the action taken by His Majesty's Government in the United Kingdom in pursuance of the second recommendation of the resolution adopted by the Assembly on September 30th, to the effect that the Members of the League, each in so far as it is concerned and to the extent that this has not already been done, should examine the possibility of adopting internal measures with a view to the effective supervision of the manufacture of and trade in arms, ammunition and implements of war, on the basis of the work done by the Special Committee of the Disarmament Conference.

2. In reply, I am directed by Mr. Eden to inform you that, in 1935, a Royal Commission was appointed :

(1) To consider and report upon the practicability and desirability (both from the national and international point of view) of the adoption (a) by the United Kingdom alone, (b) by the United Kingdom in conjunction with the other countries of the world, of a prohibition of private manufacture of and trade in arms and munitions of war, and the institution of a State monopoly of such manufacture and trade ;

(2) To consider and report whether there are any steps which can usefully be taken to remove or minimise the kinds of objections to which private manufacture is stated in Article 8 (5) of the Covenant of the League of Nations to be open ;

(3) To examine the present arrangements in force in the United Kingdom relative to the control of the export trade in arms and munitions of war, and to report whether these arrangements require revision, and, if so, in what directions.

A copy of the report issued by this Commission in February 1936 is enclosed herein (Cmd. Paper No. 5292, 1936).<sup>1</sup>

3. I am further to enclose herein a copy of the statement in which the conclusions reached by His Majesty's Government on the subject of this report are set out (Cmd. Paper No. 5451, 1937).<sup>1</sup>

4. Finally, I am to enclose a copy of the minutes of evidence taken before the Royal Commission at its twelfth sitting and to invite a reference to the memoranda on the export licensing system and on the control over the building and equipment of warships by private firms, which are reproduced as appendices I and II thereto.<sup>1</sup>

(Signed) William STRANG.

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<sup>1</sup> Note by the Secretariat : The documents communicated by the Government of the United Kingdom have been placed in the archives of the Secretariat, with the exception of document Cmd. 5451, 1937, which is reproduced below as Annex 1.

The present system of the United Kingdom in the matter of national control of the manufacture of and trade in arms will be examined, and extracts from the relevant texts will be reproduced in document Conf.D.184 (Enquiry undertaken by the Secretariat in execution of the Bureau's resolution of May 31st, 1937).



Annex 1.

Document Cmd. 5451.

STATEMENT RELATING TO THE REPORT<sup>1</sup> OF THE ROYAL COMMISSION  
ON THE PRIVATE MANUFACTURE OF AND TRADING IN ARMS, 1935/36.

(Presented by the Prime Minister to Parliament by Command of His Majesty, May 1937.)

1. The Royal Commission on the Private Manufacture of and Trading in Arms was appointed in February 1935, and signed its report (Cmd. 5292) on September 24th, 1936. The report has received the careful consideration of His Majesty's Government, and the conclusions which they have reached on the subject are set out in the following paragraphs.

*The International Aspects of the Problem of State Monopoly.*

2. The first, and main, question which the Royal Commission was asked to consider and report upon was

“ the practicability and desirability (both from the national and international point of view) of the adoption (a) by the United Kingdom alone, (b) by the United Kingdom in conjunction with other countries of the world, of a prohibition of private manufacture of and trade in arms and munitions of war, and the institution of a State monopoly of such manufacture and trade ”.

3. This question was elaborately examined by the Commission, with the help of a large body of evidence both oral and written, and the unanimous conclusion of the Commissioners throws a great deal of light on a difficult subject on which public opinion has hitherto largely lacked impartial and authoritative guidance. As regards the international aspects of the problem of State monopoly, the Commission point out (paragraph 41) that

“ as to the practicability of establishing by international agreement a universal system of State monopoly of the manufacture of arms there is little that can usefully be said. In a sense it would no doubt be practicable if all the States of the world agreed to adopt it in principle and were willing and competent to enforce it within their own borders ”.

4. The Commissioners go on to point out, however, that protracted efforts in this direction from 1920 onwards have led to little practical result, and they continue (paragraphs 43-45) :

“ Apart from the question of practicability, however, we do not consider that a change to a system of universal State monopoly of the manufacture of arms is desirable whilst the present international situation obtains. We do not think that the establishment of such a system would entirely remove the objection which is entertained to making a profit out of the trade. It is, we think, difficult to assume that producing Governments would be prepared to supply arms to non-producing Governments at cost price. The profit under such a system might go to the taxpayer instead of to the individual, but the inducement would remain. It is conceded that the non-producing countries are entitled to a supply of arms and munitions of war for the perfectly legitimate purposes of self-defence, the maintenance of order, and the fulfilment of international obligations, and that, if all sources of private supply are cut off, a non-producing country must either start its own manufactories or purchase from some producing country ”.

“ The conclusion at which we have arrived on this point is that in the present state of international affairs the setting up of a universal system of State monopoly is unlikely either to reduce the available supply of arms and munitions of war, or to increase the prospect of a general peace ”.

“ We are accordingly unable to recommend that, while present conditions obtain, the promotion of general State monopoly should be accepted as part of the international policy of this country ”.

5. His Majesty's Government accept these conclusions. The Commission points out that, even if the setting-up of a universal system of State monopoly could be practically achieved, it would be unlikely either to reduce the available supply of arms and munitions of war or to increase the prospect of general peace. In the view of the Commission, therefore, the main purposes for which such a policy has been advocated in certain quarters could not be achieved by its adoption, and His Majesty's Government feel that the reasoning and the conclusions of the Commission on this matter are irresistible.

<sup>1</sup> Cmd. 5292 of 1936.

*The Problem of State Monopoly in the United Kingdom.*

6. The Commissioners next set themselves to consider the problem of State monopoly in the United Kingdom in the absence of international agreement. The report discusses in turn the moral and humanitarian considerations put forward in support of a State monopoly (paragraphs 51 to 56), the suggestion that the existence of a private trade in arms has a real influence upon issues of peace and war (paragraphs 57 to 63), the relative practical advantages and disadvantages inherent in a system of State monopoly of the manufacture of and trade in arms, and the importance to be attached to the continuance of private industry from the point of view of Imperial defence (paragraphs 64 to 85). It appears to the Government that it cannot be disputed that the decision as to unilateral State monopoly must be governed by these four criteria, and each of the four is passed in review by the report of the Commission.

7. The unanimous conclusion of the Commissioners is as follows (paragraph 86) :

“ We thus reach the conclusion that, when judged by reference to the four criteria which we regard as relevant, the proposal to prohibit the private manufacture of and trade in arms in this country, and to substitute for it a State monopoly is unacceptable ”.

8. His Majesty's Government accept this conclusion, which corresponds with the views which they have been led to form in the light of their practical experience of providing the organisation of defence preparations. It is necessary to study the relevant paragraphs of the Commission's report *in extenso* to appreciate the full force of the reasoning which leads the Commissioners unanimously to that conclusion. But attention is particularly directed to the considerations set out in the report bearing upon the possibilities of rapid expansion in the case of great national emergency or the breaking-out of war. The Commissioners point out (paragraph 82) that private armament manufacturers are able, by utilising their plant and their employees on alternative work when Government orders are not available, to maintain the reserve of equipment and labour which is invaluable to the country on an outbreak of war. The maintenance by the State of factories on a scale sufficient to meet such fluctuations and demand would be wasteful and costly. Reserve plant maintained by the State would need constant renewal if it were not to become obsolete. In conditions of modern warfare (paragraph 83), the need of the country on the outbreak of war is for a system which ensures the most rapid and effective mobilisation of the whole of our industrial resources. Neither State enterprise nor private industry can alone secure the position. It can only be secured by the utilisation of both and by the greatest measure of collaboration between the State and private industry in peace-time. Moreover, if the utilisation of private industry (paragraph 84) for the manufacture of arms in peace-time were discontinued and the whole of the Government's peace-time requirements were to be manufactured in Government establishments, the amount of plant and equipment available for the expansion of production in the eventuality of war, and the personnel of all kinds experienced in the use of that plant and equipment, would be very materially diminished. If it be assumed that, in the event of a major war, the conscription to the Government's needs of all the industrial capacity of the country may become necessary, “ it is beyond question ”, say the Commissioners (paragraph 85),

“ that the proper utilisation in wartime of the resources of the country's private industry will not be achieved unless it is fully and efficiently planned and organised in advance in peace-time. There is all the difference in the world between this preparation for war emergency during peace, followed by the general conscription of industry when the crisis arrives, and a policy of nationalisation in anticipation of the crisis. Indeed, the situation requires, in our opinion, as a specific condition of the successful employment in emergency of the general industry of the country, that the plant and personnel of that industry should be required to co-operate in large measure in the supply of armaments during peace.”

9. The Government are in agreement with these conclusions, supported as they are by a converging series of convincing arguments, and confirmed by current experiences. Accordingly, the Government accept the conclusion of the report (Chapter XII, paragraph 3) that

“ The abolition of the private industry in the United Kingdom and the substitution for it of a system of State monopoly may be practicable ; but it is undesirable. No sufficient case has in our opinion been made out for taking so drastic a step. We believe that the reasons for maintaining the private industry outweigh those for its abolition. We are of opinion that the necessities of imperial defence cannot be effectively met, in existing conditions except by the maintenance in peace-time of a system of collaboration between the Government and the private industry of the country in the supply of arms and munitions.”

*The Evils and Objections to which Private Manufacture is alleged to be open.*

10. The report of the Commission then proceeds (paragraphs 90 *et seq.*) to deal with the second question referred to them — viz. :

“ whether there are any steps which can usefully be taken to remove or minimise the kinds of objections to which private manufacture is stated in Article 8 (5) of the Covenant of the League of Nations to be open.”



The Commissioners, in an earlier paragraph (paragraph 17), pointed out that neither the terms of reference nor the Article of the Covenant referred to identify or attempt to indicate what these alleged objections are ; indeed, the Commission have taken the view that it was not only directed to ascertain what the objections are, but were not required to form any opinion as to the weight which should be attached to them if they were ascertained. But, as remedies can only be intelligently formulated if the nature of these alleged objections has first, by some means, been ascertained, the only course open to the Commission appeared to be to ascertain what objections had already been formulated at Geneva in consequence of Article 8 (5) of the Covenant and to invite expressions of opinion as to the existence of "objections and attendant evils" and to treat these as the objections and attendant evils to which their minds should be directed, without necessarily passing any judgment upon them. His Majesty's Government fully appreciate the reasons which led the Commission to take this course, but they must take leave to point out that the weight to be attached to recommendations as to any steps which might be taken to remove or minimise objections is necessarily very much affected by the circumstances that the Commission have not felt it right to pronounce as to the validity or importance of the objections which have been suggested.

11. The above observations gain greatly in strength by a circumstance, hitherto little understood, to which the Commissioners draw express attention. The report of the First Sub-Committee of the Temporary Mixed Commission of the League of Nations of September 1921 contains a list of the alleged objections to untrammelled private manufacture under six heads, which are set out in paragraph 92 of the Commission's report. It has been very widely supposed that this list of objections should be regarded as authoritative evidence by the Geneva Sub-Committee after full investigation and enquiry. Indeed, the list is not infrequently quoted as though it amounted to a finding of conclusions by the Sub-Committee, and opponents of the system of private manufacture of arms have frequently relied upon the list as representing the considered judgment of the body specially appointed by the League of Nations to investigate the matter. Nothing of the sort ever happened. The Sub-Committee of the League never investigated the question of whether the evils, suggested in this list of objections, existed. They never heard evidence on the subject and they certainly never pronounced any conclusion on the evidence. What the Sub-Committee did was merely to draw up a list of "objections that were raised at the time to untrammelled private manufacture" (paragraph 93), just as in a subsequent passage they made a list of arguments which might be urged in favour of preserving private manufacture. It is therefore, as the report of the Commission points out, a complete mistake to suppose that the list of alleged objections has behind it the authority of any investigation or of any enquiry. The list is a list of criticisms that had been formulated, not of conclusions that have been arrived at.

12. Having thus explained that the report of the Sub-Committee of 1921 reached no conclusion as to the validity or importance of any of the alleged objections, the Commissioners proceeded to deal with the matter as far as they could in the light of evidence submitted to them. In so far as alleged objections are founded on the conduct of foreign firms, the Commission point out (paragraph 93) that they have no means of forming a conclusion.

"If such objections are well founded in the case of foreign firms, the only possible remedy, in the absence of international agreement, is for the Government within whose jurisdiction the offences are committed to deal with them."

13. The report goes on to make some comment on the evidence submitted to the Commission in regard to the evils that are alleged to exist, so far as the United Kingdom manufacturers are concerned, and deductions are drawn from that evidence. The report (paragraph 95) states that

"So far as United Kingdom firms are concerned, the charges are few and the evidence scanty."

It is not on specific charges that the case has been mainly based, but rather on general allegations as to the operation of ordinary business methods and the effect of ordinary business considerations in a trade which profits from international tension (paragraph 95).

14. The following extracts from the report show the view taken by the Commission on various heads of allegation :

(Paragraph 98.)

"We are not persuaded on the evidence given before us that British armament firms are guilty of having been active in fomenting war scares or of persuading this country to adopt warlike policies and to increase its armaments."

(Paragraph 99.)

"We do not believe the armament firms attempt the bribery of Government officials in this country. As to bribery abroad, we have not sought, nor in fact were we in a position to seek, evidence as to the extent to which it is resorted to."

(Paragraph 103.)

“ No evidence has been laid before us which we regard as supporting the charges that armament firms in this country have sought to influence public opinion through the control of the Press.”

(Paragraph 104.)

“ So far as the charges of nefarious and underground activities on the part of manufacturers in the United Kingdom, in connection with price-raising and other rings, are concerned, we do not consider that such charges have been established upon the evidence before us.”

15. It remains to deal with certain specific recommendations which are made by the Commission in a later portion of its report. First, as to the acceptance of appointments with armament firms by public officials on the termination of their Government service. The Commission (paragraph 109) say

“ We have no reason to believe, and do not believe, that the practice in question has been or is likely to be the occasion of any weakening of departmental independence ; it is a practice which has obvious advantages in a system under which the Government collaborates with private industry, and we do not propose that it should be discontinued ” :

But the Commissioners (paragraph 110) go on to say :

“ We cannot, however, regard as satisfactory the position under which armament firms are free to recruit ex-officials and ex-officers of the Army, Navy and Air Force at their own discretion, and we cannot ignore the suspicions which arise from the practice, however ill-founded they may be. We therefore recommend that officers, whether serving or retired, should not enter the service of armament firms in any capacity without the specific approval of the minister in charge of their department.”

His Majesty's Government take note of this suggestion, but when it is analysed it will be found to raise difficult questions such as the definition of an “ armament firm ”, the promotion of ex-officials from a non-armament to an armament branch of a firm (*e.g.*, in the “ shadow industry ”); the acceptance of an appointment to a better position in a firm which is not solely devoted to armament manufacture ; the case of an ex-official whose Government service was of a temporary character (*e.g.*, in the Great War) ; the “ sanction ” for neglect of the rule, particularly in the case of ex-officials who have no pension which could be forfeited. The matter is indeed a branch of a much wider question, not by any means confined to the armaments industry — viz., the question of the acceptance of appointments by officers of the Crown Services on the termination of their Government service. This larger question calls for careful study and is not being overlooked.

#### *International Control of the Trade in Arms.*

16. Chapter VII of the Royal Commission's report deals with the question of the international control of the trade in arms. In this connection, the Commissioners have examined the draft articles for the regulation and control of arms manufacture and trade submitted to the Bureau of the Disarmament Conference in November 1934 and considered by the Arms Committee of the Conference in the early part of 1935. They review the attitude assumed by the Government towards these proposals, the difficulties in the way of their complete acceptance and the modifications suggested by the Government. Finally (paragraph 126) they say :

“ We believe that the principles that lie behind the United States Draft Articles command a wide measure of support abroad, and that the Draft Articles afford a basis on which an agreement for the international regulation and control of the trade in arms might be reached. We recognise that the realisation of these proposals would be of less value than an international agreement for the limitation of arms, and that they involve restrictions that may be unwelcome or may be thought to be excessive for the limited purposes in view. But we nevertheless think that the possibility should not be missed of securing international agreement in the domain of arms control even on a limited scale.”

17. The promotion and encouragement of measures for the international regulation of the manufacture of and trade in arms have long formed part of the policy of this country. In the pursuit, however, of this policy certain difficulties must not be overlooked. For example, due regard must, as enjoined in Article 8 (5) of the League Covenant, be had to “ the necessities of those Members of the League which are not able to manufacture the munitions and implements of war necessary for their safety ”.

18. As regard the United States' draft proposals, the Government are, as is appreciated by the Commissioners, in full sympathy with the principles on which these proposals are based and accepted them as a basis for discussion. It is in the method of giving effect to certain of these principles that difficulties arise. The amendments put forward by the Government during the discussion of these proposals are of a practical nature and designed to make the proposed Convention more appropriate to its purchase and more generally acceptable. They adhere to the view that their amendments, which are summarised in paragraphs 121 to 124 of the Royal Commission's report, satisfactorily achieve these aims.



19. It must unfortunately be recognised that, at the present moment, international political conditions are such that hopes of making progress towards international limitation or reduction of armaments are not likely to be immediately realised. It is the main object of the Government's foreign policy so to improve the international political situation as to provide conditions in which such progress will be possible. In the meantime, they are not entirely convinced of the utility of pressing forward with any isolated aspect of the armaments problem. Nevertheless, they consider that the question of the publicity of national defence expenditure might be examined and the possibility explored of attaining general agreement on the Draft Convention on this subject drawn up by the competent Sub-Committee of the Disarmament Conference. They are prepared to accept this Convention and to enforce it if it is accepted by the principal Powers. Should general agreement be reached on it, the reconsideration of the wider question of the international regulation of arms manufacture and trade should be possible. Should no progress be made, even on these modest proposals for publicity of national defence expenditure, no useful purpose could possibly be served at present by re-opening the wider question.

*Government Regulation and Control of Private Industry.*

20. Chapter VIII of the Royal Commission's report deals with the question of Government regulation and control of private industry, and the Commissioners' conclusion on this subject is summarised in Chapter XII, paragraph 6, as follows :

" We recommend that the Government should assume complete responsibility for the arms industry in the United Kingdom and should organise and regulate the necessary collaboration between the Government and private industry ; that this responsibility should be exercised through a controlling body, presided over by a minister responsible to Parliament, having executive powers in peace-time and in wartime, over all matters relating to the supply and manufacture of arms and munitions, costing and the authorisation of orders from abroad.

" We further recommend that the Government's own manufacturing establishments should be fully equipped for the production in some measure of naval, military, and air armaments of all types."

The Commissioners state that many interesting and constructive proposals have been made by certain witnesses in regard to the machinery for the control proposed in the first part of these recommendations and they accordingly refrain from reporting in detail on that aspect of the matter. The evidence referred to has been studied by His Majesty's Government, but they regret to say that they do not find in it any solution of the practical difficulties which would beset such a control, if established in peace conditions.

The first part of the recommendation involves the establishment in peace of an executive Minister and Ministry to take over from the three Service Departments the whole of their work of munitions supply.

In Chapter VIII (paragraph 128) of the Royal Commission's report, the objects of the proposed Minister and Ministry are defined as being :

- (i) To ensure rapidity of expansion in emergency periods ;
- (ii) To check prices and establish a planning system in peace-time conditions ;
- (iii) To prevent the possibility of profiteering in time of war or national emergency, and thereby to eliminate the incentive to those grave objections to which the system of private manufacture is open.

In so far as the checking of prices in peace is concerned, reference to this matter will be found below in the comments on the recommendations based on Chapter IX of the Royal Commission's report. The prevention of profiteering in war is only one aspect of the large question of the relations to be established in war between the State and industry and it is being studied in connection with the question of control of industry in war (see paragraph 25).

The remainder of the Commissioners' case for the establishment of a single Executive Minister and Ministry of Supply in peace is that this course is essential to proper planning for war conditions and to expansion to meet war needs. The question of a single Executive Minister and Ministry of Supply in peace is one which was carefully considered by His Majesty's Government in 1926 when the problem was remitted to the Committee whose terms of reference, for the present purposes, were (Cmd. 2649 of 1926) :

" To make definite proposals for the amalgamation, or, if this appears impossible or undesirable, for the co-ordination as far as possible of the Supply Departments in the Service Ministries."

The Committee, however, reported (Cmd. 2649 of 1926)

" that no steps should be taken to bring about either complete or partial amalgamation of the Supply Branches of the three Fighting Services or of any section of those Branches."

The Government accordingly decided that a single Ministry of Supply in peace was not required in the public interest. This decision carried with it the corollary that the executive responsibility for preparing for supply in war must also remain with the Service Departments, but it was felt that strong co-ordinating machinery was necessary, and, in view of the importance of the issues, that this machinery should be established under the ægis of the Committee of Imperial Defence. The Principal Supply Officers' Committee, with its subsidiary bodies, was therefore set up as a Sub-Committee of the Committee of Imperial Defence, and this organisation has been occupied for several years in considering the war needs of supply on bases given to it by the Committee of Imperial Defence, and in framing plans to meet them, and especially plans for war adaptation and war expansion in certain branches of industry.

21. Further developments of this organisation in recent years have been made by :

(a) The appointment of a wholetime Chairman and Secretary, Supply Board and wholetime Chairman of some Supply Committees ;

(b) The appointment of a Minister for Co-ordination of Defence, who, as Chairman of the Principal Supply Officers' Committee, has Cabinet and Parliamentary responsibility for the whole work of the organisation as above described.

At the same time, various improvements have been made in the internal supply organisation of the Service Departments, as for example, in the War Office by the concentration of munitions supply in the hands of the Director General of Munitions Production with a seat on the Army Council, and in the Air Ministry by the appointment of a Director of Production.

22. His Majesty's Government believe that the needs of the case are adequately met by the arrangements above outlined and that there is no present case on merits for the radical change suggested. It is further to be remembered that the whole organisation is at present working at very high pressure on the Defence Programme, and that sweeping changes in it must delay progress and could only be justified by the strongest grounds of public interest which His Majesty's Government, as at present advised, are unable to discover.

The above observations, it should be added, have reference to supply organisation in peace. The question of supply organisation in war conditions raises different issues.

23. The Commissioners (Chapter XII, paragraph 6) say (see also paragraph 20) :

" We further recommend that the Government's own manufacturing establishments should be fully equipped for the production in some measure of naval, military, and air armaments of all types ".

This recommendation is expressed at greater length in the latter part of paragraph 130, at the end of Chapter VIII, and is advanced by the Commission as a means of planning for rapid expansion in emergency, checking of trade prices in peace, and elimination of risk of profiteering in war. A further reason given for this recommendation is that it would strengthen national defence if international limitation of arms resulted in the trade restricting or abandoning its present range of manufacture.

His Majesty's Government desire to draw attention to the fact that this recommendation is already met to a very considerable extent by the existing organisation. For example, the Royal Dockyards are capable of building warships of all types and the Royal Ordnance Factories and other Government Establishments are capable of supplying in some measure a very large proportion of the different types of arms in use in the Army and Navy.

They feel, however, that, if the recommendation is examined a little more closely, it will be seen that the reasons advanced for putting it forward are by no means conclusive. The chief reason given is planning for rapid expansion in emergency. Recent experience shows, however, that this object can only be achieved by equipping a large number of private firms with the necessary plant, tools, jigs, and gauges as part of a plan for industrial mobilisation, in addition to the resources of Government Establishments. It must be remembered that a great many items which would be required in large quantities in time of war are closely related from the manufacturing point of view to similar articles made by private firms in time of peace, and in such cases it is obviously advantageous to draw upon the large body of experience and capacity for output which such firms provide. This aspect of the question has, indeed, been forcefully set out by the Commissioners in Chapter V of their report, to which allusion is made in paragraph 8 of the present White Paper.

Another reason put forward for this recommendation is that State manufacture would furnish a check on the prices charged by private firms and thus tend to eliminate the risk of profiteering. His Majesty's Government recognise the value of the check obtained in this way through the operations of the Royal Dockyards and the Royal Ordnance Factories ; but they desire to point



out that modern accounting and technical costing methods, which are being widely and increasingly applied to Government contracts, have made it possible to obtain other checks of at least equal efficiency for the purpose in view. The setting-up of additional State manufacture purely for this purpose would, in the view of His Majesty's Government, not be justified.

An important difficulty in the way of the adoption of this recommendation is that it would in many cases lead to unnecessary duplication of plant and thus to wasteful expenditure in capital outlay and maintenance on the part of the State and uneconomical production on the part of the private firms. For example, armour and heavy naval gun mountings require plant a proportion of which is capable of use both for the manufacture of arms and for commercial work. The existing practice whereby these products are manufactured by private firms enables the same plant to be used for both purposes. If the State decided to set up separate establishments for the armament work alone, the maintenance of the increased number of plants would mean that the overhead costs, both for the State and for private industry, would be considerably greater than they are at present.

As regards aircraft, the stage of progress of the industry is a fundamental reason against manufacture of machines and engines in Government factories. Such manufacture would inevitably tend to premature standardisation of types in an industry of which the essential characteristic at present, and probably for a considerable time to come, is rapid development and improvement, sometimes of an almost revolutionary character. The strongest possible competition in design — inspired by the best brains working under conditions most favourable to and provocative of invention and progress — is essential to the maintenance of the highest level of efficiency. Moreover, the great number and variety of types of aircraft, engines and equipment now being manufactured by private firms would make effective duplication for the purpose envisaged impracticable. The general object the Commission have in mind is, however, largely met in two ways. First, by the agreement with the industry that all books shall be open to inspection, and, secondly, by the system of Shadow Factories, under which firms of great experience operate as managers factories owned and equipped by the State.

The position of His Majesty's Government is therefore that, whilst they are not opposed in principle to extending the range of Government manufacture in appropriate instances, the question is one which must be considered on the merits of each case, with due regard to economy and in the light of the many complex factors which should be taken into account in connection with planning for large scale production in emergency.

### *Control of Profits.*

24. Chapter IX of the Report deals with the question of the regulation of profit on the manufacture of armaments. The Commission (paragraph 131) refers to the conception "that war and preparation for war ought not to be the occasion of private gain", and express the view that public feeling on this matter, as being widespread, intense and genuine, ought not to be ignored. They go on to say (paragraph 135) :

"The complete removal of the profit motive from private industry . . . is, in our opinion, neither necessary nor desirable . . . But it is our opinion that measures ought to be taken to restrict the profits of armament firms in peace-time to a reasonable scale of remuneration."

(It is to be assumed, having regard to the views expressed by the Commission as to the necessity for broadening the basis of munitions manufacture, that by "armament firms" they meant all firms manufacturing munitions and not merely those few which specialise or are mainly occupied in it.)

The Commission (paragraph 136) expressly renounces "the task of formulating specific methods for the restriction of profits in peace-time", but they think it requires further consideration by the Government.

The Government are in entire agreement with the views expressed by the Commission as to the state of public feeling on this subject, and as to the necessity for the restriction of profits on the manufacture of armaments to a level which can be regarded as reasonable, and they have given prolonged and anxious consideration to the question, especially in connection with the re-armament programme. The measures which they have adopted to secure this end were explained in the "Statement relating to Defence" (Cmd. 5107) and have been elaborated by Ministers on numerous occasions. The procedure adopted by the Service Departments and the Treasury has been examined in detail by the Estimates Committee since the Commission reported, and is discussed at some length in their report of March 17th, 1937. The report may fairly be said to show that active steps have been taken to secure the object which the Commission had in view. The Committee draws attention to the close co-operation which has been established between the Departments and say that

"they are satisfied that the methods followed are soundly conceived and are fair both to the taxpayer and the contractor, and they are of opinion, so far as an estimate can be formed, that they have been effective up to date in preventing profiteering at the taxpayer's expense".

The Committee make a number of recommendations on important points of detail which are being carefully considered. The Government agree with their view

“ that the whole position will need continual vigilance and that the Estimates Committee of a future year might usefully re-examine the question ”.

The Government will continue to give the closest attention to it.

The Commission contemplated that the control of profits would be one of the subjects falling within the purview of the single central organisation, the establishment of which they suggested in Chapter VIII of their Report. For the reasons given in paragraphs 20-22 of this Paper, the Government do not propose to set up such a body as a peace-time organisation. For the particular purpose of the control of profits, there is no reason to suppose that it would prove more effective than the system actually in operation, which ensures the closest co-operation between the Contracting Departments and the Treasury, not only through the Supply Board organisation referred to above, but also through the Contracts Co-ordinating Committee, the Treasury Inter-Services Committee (the establishment of which was announced in the White Paper on Defence, Cmd. 5107) and in the well-established practice in the Contracting Departments of keeping each other informed of important contracts which they place.

25. In the same Chapter, the Commissioners refer to the conscription of industry, and their recommendation as given in Chapter XII (paragraph 8) is :

“ We are of opinion that the problems involved in formulating plans for the conscription of industry in wartime will have to be faced and should be faced without delay ”.

His Majesty's Government recognise that, if ever this country should again become involved in a major war, a much wider measure of control over industry would be needed than in time of peace. Indeed, this conclusion is plainly indicated from the experience of the Great War, and provisional plans for this purpose, ready in case of need to be presented for parliamentary approval, have necessarily to be prepared beforehand.

#### *Export Control.*

26. As regards export control (Chapter X), the Commissioners expressly refrain from recommending, under existing international conditions, that the foreign trade in arms should be definitely abolished by this country acting alone (see paragraph 143). Nevertheless, the Commissioners characterise as “ negative ” the existing administration of the arms export licensing system, “ in that it does not seek actively to discourage the export trade ”. Notwithstanding official evidence tendered to them, the Commissioners were not satisfied as to the importance of the foreign trade in arms as a nucleus for the expansion of production in the event of war (paragraphs 146 and 148). Arguing from this point of view, the Commissioners (Chapter XII, paragraph 9) express the opinion that

“ the administration of the system of licensing exports of arms should be governed by an outlook different from and more positive in character than that which now prevails ”.

His Majesty's Government have carefully considered this recommendation, but they are unable to accept the opinion of the Commissioners on which the recommendation is based — viz. : that the nucleus of productive capacity due to the export trade is so small that its reduction or disappearance would be a matter of indifference. This country, which is a small military power in peace, but may need to become a large one in the event of war — in which respect it differs from every other great European Power — is bound to afford scope for the development of an export trade in armaments, subject to proper supervision, in order to maintain its productive capacity ; for productive capacity cannot be equated with idle plant. This factor is fundamental — though temporarily overshadowed by the requirements of our reconditioning programme — and cannot be ignored unless and until armaments are restricted by international agreement. The international arms trade must inevitably continue so long as some nations are unable in whole or in part to manufacture the war material necessary for their own self-defence ; and, under existing conditions, it is imperative that British firms should not be unfairly handicapped in the competition for export orders.

It follows that, without prejudice to the need for proper and adequate supervision of the trade, the export licensing machinery must be so administered as to eliminate unnecessary interference and delay : otherwise British firms will merely lose legitimate trade to their foreign competitors. Reference to paragraph 149 of the report shows that the Commissioners' recommendation for a changed outlook in the matter of export licensing amounts to a proposal that the question to be decided as regards any particular application for an export licence should be, not whether there is any objection to the proposed export, but whether the export is actually



desirable. His Majesty's Government feel that not only would this principle result in diversion of orders to foreign countries, but that the discrimination involved would be liable to engender friction in the political relations between this country and other countries.

In so far, therefore, as the Commission's observations with regard to export control stress the need for careful supervision over the grant of export licences, His Majesty's Government unreservedly accept their report. They cannot, however, accept the recommendation that in future a different and "more positive" outlook should govern the administration of the export licensing system, for they consider that this recommendation is based on a misconception of the rôle which is and must be played by the arms export trade in the organisation of imperial security.

The Commission (Chapter XII, paragraph 9) go on to recommend that

"licences should be granted only to such firms as shall have been specifically authorised to accept orders for export by the controlling body already recommended ;"

On this point, it is to be observed that all exports of war material are already subject to the requirement that no such goods may be shipped unless the particular export has been specifically authorised. In view of this fact, His Majesty's Government consider that no useful purpose would be served by superimposing the further requirement of a general authorisation of arms-exporting firms.

27. The Commission (Chapter XII, paragraph 9) also recommend

"that the grant of licences should be restricted to orders by foreign Governments, supported by import licences issued by those Governments which shall state that the goods will not be re-exported."

In this connection, it was explained in the official evidence given to the Commission on behalf of the Board of Trade that already

"the general practice of His Majesty's Government is to issue licences for the export of war material only to Governments or to accredited agents of Governments for delivery to them. In the case of material for testing purposes, samples for demonstration or exhibition, or accessories, reputable firms may be accepted as consignees."

Besides war material, the goods now subject to export control include personal weapons, industrial explosives and unarmed aircraft. Here the general practice of confining the issue of export licences to foreign Governments naturally does not apply, but applications in respect of small arms and small arms ammunition to which any suspicious circumstances attach always receive very close scrutiny, while the export of aircraft of military type to undesirable destinations is prevented by administrative measures of control.<sup>1</sup>

Thus the practice actually adopted goes a very long way towards realising the Commission's intention.

Where, however, as is normally the case, a foreign Government is itself the purchaser of war material, His Majesty's Government consider that it would be superfluous to require an import licence from the purchasing Government, and they have decided not to require import authorisations unless and until these are provided for in an international agreement accepted by the Governments of other supplying countries.

28. The Commission (Chapter XII, paragraph 9) conclude their proposals on the subject of export control with the recommendation

"that the practice of issuing open general licences for certain classes of arms, etc., be discontinued ; that specific licences be required in all cases ; and in particular that a rigid control be exercised over all exports of aircraft, whether classified as military or civil."

The classes of material at present covered by open general export licences (under which the goods in question may be exported freely) are :

- (a) Aircraft, assembled or dismantled, and aircraft engines ;
- (b) Bayonets, swords and lances ;
- (c) Smooth-bore shot-guns and shot-gun ammunition ;
- (d) Certain explosives used either for manufacture of shot-gun cartridges or for industrial purposes ; and
- (e) Fire-arms and ammunition covered by a United Kingdom fire-arm certificate when exported in the possession of the holder of the certificate.

The licences covering items (a) to (d) do not apply in the case of export to certain defined geographical areas. In the case of the items (c), (d) and (e), His Majesty's Government consider

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<sup>1</sup> In future, this control over military aircraft will be supplemented by the requirement of a specific export licence—see below.

that it would be undesirable to introduce the hampering requirement of specific licences for particular exportations ; on the other hand, complete decontrol would be inadvisable. They have decided, therefore, that, in respect of these items, the existing open general export licences should be maintained. With regard, however, to item (a), His Majesty's Government have decided, after careful consideration, to make a distinction between, on the one hand, civil aircraft and aircraft engines and, on the other hand, aircraft of military types. Real hardship would ensue if the Commission's recommendation was applied to civil aircraft, and His Majesty's Government do not feel that they would be justified in imposing this handicap on civil flying in the United Kingdom in the absence of similar requirements in other countries. In the event of an emergency in which civil aircraft might be exported for military purposes to a theatre of hostilities, the situation can be met under the existing regime by temporarily revoking the open general licence in respect of all aircraft destined for the country or countries concerned. His Majesty's Government have decided, however, to adopt the Commission's recommendation in so far as it applies to aircraft of military types, and early steps will be taken to implement this decision and at the same time to withdraw the existing open general export licence in respect of item (b) (bayonets, swords and lances), which also will thus become liable to the requirements of specific export licences.

29. In paragraph 152 of their report, the Royal Commission state that :

" It is desirable that the Government should consider whether the provisions of the Foreign Enlistment Act, 1870, should not be extended so as to cover aircraft."

His Majesty's Government are prepared to accept this recommendation.

#### *The Disposal of Surplus Arms.*

30. Finally, in Chapter XI of their report, the Commissioners deal with the question of the disposal of surplus arms, and in Chapter XII (paragraph 10) they recommend :

" The complete cessation of private export trade in surplus and second-hand arms and munitions of war."

It must, however, be borne in mind that all transactions in connection with the sale of second-hand arms and munitions of war are subject to licence, as in the case of export of other arms. In these circumstances, His Majesty's Government are not convinced that there is sufficient reason for abandoning altogether the sale of surplus and second-hand arms and munitions of war to foreign Governments by private agency under proper safeguards. His Majesty's Government do not propose to make a regular practice of licensing the sale of surplus and second-hand arms and munitions of war to foreign Governments by private agency, but they do not consider it is necessary to insist upon the complete cessation of this trade.

May 4th, 1937.

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### BULGARIA.

[*Translation.*]

Geneva, November 24th, 1937.

With reference to letter Conf.D./C.L.17 of October 23rd last, the Permanent Delegation of Bulgaria has the honour to inform the Secretary-General of the League of Nations that the manufacture of, trade in and carrying of arms and ammunition are regulated by the following laws :

1. Law on explosives and arms (*Official Gazette* No. 111, of May 21st, 1912).
2. Law on the disarmament of the population in conformity with the Treaty of Peace of Neuilly (*Official Gazette* No. 84, of July 18th, 1922).
3. Law concerning the manufacture, importation and exportation of implements of war (*Official Gazette* No. 28, of January 26th, 1925).
4. Law to reduce the number of offences against public and personal safety (*Official Gazette* No. 14, of April 21st, 1933).<sup>1</sup>

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### CANADA.

Geneva, February 15th, 1938.

I have the honour to inform you that I have been instructed by the Secretary of State for External Affairs, in reply to your letter of October 23rd, 1937 (Conf.D./C.L.17), asking to be informed of measures taken with a view to the effective supervision of the manufacture of and trade in arms, ammunition and implements of war, to state that the Canadian law dealing with

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<sup>1</sup> *Note by the Secretariat:* The legislative texts referred to above may be consulted in the Library of the League of Nations.



the question of trade in arms, ammunition and implements of war — namely, Section 290 of the Customs Act — has been amended at the last session of Parliament to authorise the taking of all the measures contemplated by the Special Committee of the Disarmament Conference. The section as amended provides as follows :

“ Section two-hundred-and-ninety of the said Act is repealed, and the following substituted therefor :

“ 290. (1) The Governor in Council may, from time to time :

“ (a) For the purpose of acquiring information, or for the purposes of paragraphs (b) and (c) of this sub-section, require that no person shall export or carry coastwise or by inland navigation any of the articles designated in the said paragraph (b), or import any of the articles designated in the said paragraph (c), without first having obtained a permit, and prescribe such fees, regulations and conditions as may be deemed proper respecting the granting of such permits ;

“ (b) Prohibit, restrict or control the exportation, generally or to any destination, directly or indirectly, or the carrying coastwise or by inland navigation, of arms, ammunition, implements or munitions of war, military, naval or air stores, or any articles deemed capable of being converted thereto or made useful in the production thereof, or provisions or any sort of victual which may be used as food by man or beast ;

“ (c) Prohibit, restrict or control the importation of arms, ammunition, implements or munitions of war, military, naval or air stores, or any articles deemed capable of being converted thereto or made useful in the production thereof ;

“ (d) Provide for the registration or licensing of persons engaged in the business of manufacturing, exporting or importing arms, ammunition or implements of war, and prescribe fees, regulations, conditions and exceptions in respect thereof ;

“ (e) Provide for the compilation and publication of information and statistics respecting the exportation, importation or manufacture of arms, ammunition or implements of war ;

“ (f) Make regulations or prescribe conditions or exceptions deemed necessary for the effective carrying-out of the object and intention of this section of any prohibition, restriction or control of exportations or importations which may be imposed under this section, including regulations, conditions or exceptions respecting re-exportations, transshipments, or shipments in transit, whether within Canada or elsewhere. Such regulations shall, when made, have the force and effect of law as though enacted as a part of this statute, and shall be published in the *Canada Gazette*.

“ (2) Any goods imported or exported contrary to the provisions of this section or of any Order of the Governor in Council hereunder or regulation established thereunder shall be seized and forfeited ; and any person importing or exporting the same or causing or permitting them to be imported or exported shall be guilty of an offence and for each such offence be liable on summary conviction before two justices of the peace to a penalty not exceeding two hundred dollars and not less than fifty dollars, or to imprisonment for a term not exceeding one year and not less than one month or to both fine and imprisonment. If the value of such goods is two hundred dollars or over, the person so offending shall be guilty of an indictable offence and be liable on conviction, in addition to any other penalty to which he is subject for such offence, to a penalty not exceeding ten thousand dollars and not less than two hundred dollars, or to imprisonment for a term not exceeding four years and not less than one year or to both fine and imprisonment.”

Under the authority of this section, an Order-in-Council was passed on July 30th, a copy of which is attached, placing the trade in arms, ammunition and implements of war under a licensing system. On the same day, an Order-in-Council was passed prohibiting the exportation directly or indirectly of arms, munitions and implements of war to Spain.

It may be added that an armament industry can scarcely be said to exist at all in Canada and it has not been deemed worth while to institute the registration of Canadian firms engaged in the manufacture of arms, etc., nor the compilation and publication of statistics respecting manufacture. There is, of course, no objection, in principle, to such a step being taken, particularly as it is assumed that it would be contingent on similar action being taken by the principal Powers.

(Signed) H. H. WRONG.

Annex.

P.C.1838.

At the Government House at Ottawa, Friday, the 30th day of July, 1937.

PRESENT :

*The Deputy of His Excellency the Governor-General in Council:*

WHEREAS it is considered desirable that steps should be taken to provide for control of the exportation from Canada to any destination of arms, ammunition, implements or munitions of

war, military, naval or air stores or any articles deemed capable of being converted thereinto or made useful in the production thereof ;

AND WHEREAS Section 290 of the Customs Act, as enacted by Section 10 of Chapter 24 of the Statutes of 1937, provides that the Governor in Council may from time to time :

(a) For the purpose of acquiring information, or for the purposes of sub-paragraph (b) of this sub-section, require that no person shall export or carry coastwise or by inland navigation any of the articles designated in the said sub-paragraph (b), without first having obtained a permit, and prescribe such fees, regulations and conditions as may be deemed proper respecting the granting of such permits ;

(b) Prohibit, restrict or control the exportation, generally or to any destination, directly or indirectly, or the carrying coastwise or by inland navigation, of arms, ammunition, implements or munitions of war, military, naval or air stores, or any articles deemed capable of being converted thereinto or made useful in the production thereof ;

(d) Provide for the registration or licensing of persons engaged in the business of manufacturing, exporting or importing arms, ammunition or implements of war and prescribe fees, regulations, conditions and exceptions in respect thereof ;

(e) Provide for the compilation and publication of information and statistics respecting the exportation, importation or manufacture of arms, ammunition or implements of war ;

(f) Make regulations or prescribe conditions or exceptions deemed necessary for the effective carrying-out of the object and intention of this section of any prohibition, restriction or control of exportations or importations which may be imposed under this section, including regulations, conditions or exceptions, respecting re-exportations, transshipments or shipments in transit, whether within Canada or elsewhere. Such regulations shall, when made, have the force and effect of law as though enacted as a part of this statute, and shall be published in the *Canada Gazette*.

NOW, THEREFORE, the Deputy of His Excellency the Governor-General in Council, on the recommendation of the Secretary of State for External Affairs, with the concurrence of the Minister of Justice and the Minister of National Revenue, is pleased to order and it is hereby ordered as follows :

1. No person shall export any of the articles enumerated and described in the Annex<sup>1</sup> hereto without first having obtained a permit issued by, or on behalf of, the Minister of National Revenue.

2. Applicants for permits shall furnish in respect of each proposed shipment for export information in writing in the manner and form approved by the Minister of National Revenue, setting forth details as to the seller, purchaser, consignor, consignee, description, quantity, value and specific purpose of the proposed shipment or of the articles proposed to be exported.

3. Export permits shall be issued to applicants furnishing the required information in all cases except those in which the issue of such permits or the exportation of the article or articles proposed to be exported would contravene a prohibition, restriction, regulation, condition or exception prescribed by law or by order of the Governor in Council.

4. Export permits issued hereunder shall not be transferable and shall be subject to revocation at any time without notice.

5. This Order shall come into force on the 31st day of July, 1937.

(Signed) E. J. LEMAIRE,  
Clerk of the Privy Council.

## COLOMBIA.

[Translation.]

Bogotá, January 5th, 1938.

I have the honour to refer to your communications Conf.D./C.L.16 and 17 of June 19th and October 23rd, 1937, informing me of the resolutions adopted by the Bureau of the Conference for the Limitation of Armaments and the Assembly on May 31st and September 30th, 1937, respectively, with regard to the limitation of armaments.

In view of the traditional policy of Colombia, the problem of armaments does not arise in this country.

With regard to the second recommendation contained in the resolution of September 30th, I have the honour to transmit to you the attached copy of a report sent to this Ministry by the Ministry of War on Government supervision of the trade in, and use of, arms.

(Signed) Alfredo MICHELSEN,  
Secretary of the Ministry of  
Foreign Affairs, Head of Service.

<sup>1</sup> Note by the Secretariat. — The Annex, which may be consulted in the Library of the League of Nations, contains a list of arms consisting of seven categories, five of which are modelled on Article 4 of the Draft Texts included in document Conf.D.168 (reproduced in Conference Documents, Volume III, page 785). Categories VI and VII (poison gases and explosives) are new.



Annex.

NOTE FROM THE MINISTER FOR WAR TO THE MINISTER FOR FOREIGN AFFAIRS.

Bogotá, December 30th, 1937.

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The following is a summary of the provisions regulating the trade in, manufacture, importation and use of arms in Colombia :

*Importation and Trade.*

(a) The importation and manufacture of implements of war and ammunition are strictly forbidden. The Government alone has the right to import, manufacture and make use of such articles.

(b) Weapons used in big-game hunting (rifles or guns), sporting weapons with sights for a range exceeding a hundred metres, pistols and revolvers with a calibre greater than 38 mm., and quick-firing and automatic pistols and revolvers of a lower calibre are regarded as implements of war. Their importation and use by private individuals are therefore prohibited (Decree 147 of 1931).

(c) The importation of weapons of self-defence with a maximum calibre of 38 mm. and of ammunition therefor is provisionally suspended (Decree 583 of 1931). Such weapons and ammunition may not be imported without an authorisation from the Ministry of War, and the person applying for such an authorisation must pay a minimum deposit of 1,000 pesos as a guarantee that he will sell them only to persons possessing permits to purchase. Such permits are issued by the chief political authority of the district where the purchaser resides, if the latter can prove that he needs such weapons (Decrees 1206 of 1927 and 954 of 1932).

(d) High explosives used in industry may not be imported without an authorisation from the Ministry of War, issued under the same conditions as those applicable to weapons of self-defence. The importer must send the Ministry each quarter a detailed return of the sales and purchases of such products, accompanied by the sales permits issued by the competent authority. The Ministry exercises strict supervision over such transactions, current accounts being kept for each importer (Decrees 1206 of 1927, 954 of 1932 and 583 of 1931).

(e) Authorisation from the Ministry of War is necessary for the importation of breech-loading and percussion guns used for shooting small game (Article 509 of Law 62 of 1931).

(f) The importation of and trade in percussion, vent-hole or hammer shot-guns and of 22 mm. gallery rifles are free throughout the Republic ; this also applies to powder, shot, and caps for these weapons (Decree 1206 of 1927).

(g) The importation of and trade in poisonous gases and appliances for their discharge are prohibited in this country (Decree 66 of 1935).

*Manufacture of Arms and Ammunition.*

(h) There is no arms factory of any kind in Colombia. The Government alone possesses one munitions factory. If any arms or munitions factory were subsequently established, it would be by authorisation of the Government, and under its supervision.

*The Use and Carriage of Arms.*

(i) All private individuals wishing to use and carry weapons of self-defence are obliged to comply with the provisions of Decree 1339 of 1933 ; they must furnish proof of their trustworthiness, a police certificate as to their good conduct and proof that they need to carry weapons. An authorisation is valid for one year only, and is subject to a stamp duty of 2 pesos per weapon. The same provisions apply to sporting-guns (Decree 954 of 1932).

(j) Peasants and agricultural labourers who are known to be indigent may use sporting-guns without having to pay duty (Decree 1808 of 1932).

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DENMARK.

[Translation.]

Geneva, November 9th, 1937.

In your letter Conf.D./C.L.17(a), dated October 23rd, 1937, you asked my Government to inform you of the action taken on the second recommendation adopted by the Assembly of the League of Nations on September 30th last with regard to the effective supervision of the manufacture of and trade in arms, ammunition and implements of war.

In reply, I have the honour, on my Government's instructions, to refer you to the following documents which the Permanent Delegation has already transmitted to the Secretariat<sup>1</sup> with a view to assisting the latter to carry out the resolution of the Bureau of the Disarmament Conference.

Law No. 122 of April 28th, 1934, relating to the trade in and manufacture and possession of arms.

Law No. 139 of May 7th, 1937, relating to the supervision of the manufacture of implements of war, etc.

Circular of May 31st, 1933, with regard to permits to purchase arms and ammunition.

Decree of May 2nd, 1934, relating to the importation, manufacture, sale and purchase of arms, ammunition, explosives, etc.

Decree of July 20th, 1934, with regard to the registration of fire-arms, ammunition, etc.

Decree of February 14th, 1935, relating to the display and stocking of fire-arms.

Ordinance of July 16th, 1937, defining the term implements of war used in the Law of May 7th, 1937, relating to the supervision of the manufacture of implements of war, etc.

Furthermore, the Ministry of War has stated that it has issued an administrative decision to the effect that any implements of war which may be sold shall be rendered unusable for their original purpose ; while the Ministry of Marine has stated that it has issued no administrative or other regulations in this connection.

I would also remind you of the principle observed by the Danish Government when granting licences to export arms, ammunition and other implements of war. Such licences are only issued for exports to countries which are not at war or in a situation likely to lead to war. Furthermore, it is usually stipulated that the consignment in question must be intended for a Government or at least that importation must be authorised by a Government, in proof of which a declaration from the Government concerned is required. These two conditions must be fulfilled before the export licence is granted. Lastly, I would refer you to the notes sent by the delegation to the League of Nations on June 26th, 1934, and March 6th, 1935, and to the declaration made by the Minister for Foreign Affairs of Denmark in the Council of the League of Nations on May 18th, 1934,<sup>2</sup> which is mentioned in the first of these notes.

As will be seen from the above-mentioned documentary material, the supervision referred to in the said recommendation was already exercised in Denmark before the recommendation was adopted.

(Signed) William BORBERG.

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## EGYPT.

[Translation.]

Cairo, December 9th, 1937.

With reference to my letter No. 38.77/18 (270) of November 10th, 1937, regarding the recommendation to consider internal measures for an effective supervision of the manufacture of and trade in arms, ammunition and implements of war, I have the honour to inform you that the Royal Egyptian Government is taking all the necessary measures for exercising effective supervision in this respect.

For the Acting Minister for Foreign Affairs :

(Signed) M. CHARARA,  
Under-Secretary of State.

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## ECUADOR.

[Translation.]

Quito, December 20th, 1937.

I have the honour to acknowledge receipt of your note Conf. D./C.L.17, of October 23rd, in which you request me to inform you of the action taken on the second recommendation adopted by the Assembly of the League of Nations on September 30th last, which reads as follows :

“ The object of the second is the examination by each of the States Members of the League — in so far as this has not already been done — of internal measures with a view to the effective supervision of the manufacture of and trade in arms, ammunition, and implements of war.”

In reply, I have to inform you that, as no factories for arms, ammunition, or war material of any kind exist in Ecuador, the question of giving effect to the above-mentioned recommendation does not arise.

(Signed) C. M. LARREA.

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<sup>1</sup> Note by the Secretariat : The above-mentioned texts will be analysed and the relevant extracts reproduced in document Conf.D.184, which gives the results of the enquiry carried out by the Secretariat in conformity with the resolution adopted by the Bureau on May 31st, 1937.

<sup>2</sup> Note by the Secretariat : See *Official Journal*, July 1934, page 763.



SPAIN.

[Translation.]

Barcelona, November 20th, 1937.

I have the honour to acknowledge receipt of your communication Conf.D./C.L.17(a), of October 23rd, together with the enclosed copy of the resolution adopted by the Assembly of the League of Nations on September 30th last and the two recommendations taken from that resolution.

As regards the second of these, I beg to refer you to the Spanish delegate's statement in the Third Committee at the above-mentioned session of the Assembly.<sup>1</sup>

(Signed) R. DE UREÑA.

FRANCE.

[Translation.]

Paris, November 6th, 1937.

In your letter No. Conf. D./C.L.17(a), of October 23rd last, after drawing my attention to the resolution adopted by the Assembly of the League of Nations on September 30th, 1937, you asked to be informed of the action taken by the French Government on the second recommendation contained in that resolution, relating to " internal measures with a view to the effective supervision of the manufacture of and trade in arms, ammunition and implements of war. "

I have the honour to inform you that by furnishing the Secretariat of the League of Nations, of its own accord, with the information contained in the Note on the Nationalisation and Supervision of War Industries in France annexed to my letter No. 111 of October 11th, 1937,<sup>2</sup> the French Government has, for its part, complied in advance with the above-mentioned recommendation.

For the Minister :

(Signed) MASSIGLI.

[Translation.]

August 1937.

NOTE ON THE NATIONALISATION AND SUPERVISION OF THE  
MANUFACTURE OF IMPLEMENTS OF WAR.

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I. GENERAL OBSERVATIONS.

Article 8 of the Covenant of the League of Nations denounces the evil effects of the manufacture of armaments by private enterprise, while Article 23(d) asserts the need for general supervision of the trade in arms and ammunition.

In spite of the efforts made, it has not hitherto proved possible to bring about the successful application of the above provisions of the Covenant by means of an international convention regulating the manufacture of and trade in war material in the different countries.

<sup>1</sup> Note by the Secretariat: See Records of the Eighteenth Ordinary Session of the Assembly, Minutes of the Third Committee (Official Journal, Special Supplement No. 172), page 16.

<sup>2</sup> Note by the Secretariat: This letter will be reproduced in document Conf.D.184 (Enquiry undertaken by the Secretariat in execution of the Bureau's resolution of May 31st, 1937).

Nevertheless, in the light of the negotiations conducted at Geneva on these subjects, a number of general principles have emerged from the labours of the Conference for the Reduction and Limitation of Armaments. From these principles, countries sincerely desiring to further the organisation of peace have felt able to draw guidance, while proceeding, as a first step, to apply to their own national measures of regulation and control which it is hoped will later be extended to all other countries.

Among the States imbued with good-will, France had little hesitation in putting those principles to the test for her own account, inasmuch as they are in harmony with the aspirations so insistently voiced by French public opinion.

French public opinion has indeed always protested against the enhanced profits which may accrue to private persons from the manufacture of armaments as a result of international discord or threats of war.

### *Legislation of 1935.*

Accordingly, as early as 1933,<sup>1</sup> legislation on the subject was passed. Its object was to organise — both from the standpoint of internal or external security, and from the fiscal or administrative standpoint — a certain measure of supervision, exercised by public authorities, over the manufacture of, trade in or possession of war material. Particular mention should be made in this connection of :

1. *Decree of September 3rd, 1935*, with the Ordinance of the same date,<sup>2</sup> regulating the export of war material.

These provide that previous authorisation must be obtained from the Finance Minister before war material can be exported. Such authority will only be granted subject to the consent of the Minister for Foreign Affairs, the Minister of the Interior and one of the National Defence Ministers (land, naval or air forces, as the case may be).

2. *Decree-Law of October 23rd, 1935*,<sup>3</sup> regulating the importation and manufacture of, trade in and possession of arms ; supplemented by the *Public Administrative Regulations of December 16th, 1935*, and the *Ordinance of January 13th, 1936*.<sup>4</sup>

Under these measures, the importation into France of arms, ammunition and all offensive and defensive weapons is prohibited, except where specifically permitted in the case of certain sporting (game or target-shooting) fire-arms.

The manufacture of arms is only allowed subject to previous authorisation from one of the Defence Ministers, and is strictly supervised.

Trade in arms is also subject to regulations, which include :

Declaration to the Prefecture ;

Keeping of registers open to inspection.

Finally, the possession of all fire-arms must be declared.

Disregard of these provisions entails severe punishment by imprisonment or fine.

3. *Decree-Law of October 30th, 1935*,<sup>5</sup> setting up administrative control of transactions in war materials, supplemented by the Decree of May 29th, 1936.<sup>6</sup>

In this sphere, a Decree-Law of July 16th, 1935,<sup>7</sup> had already instituted a special tax of 20 % on profits from the fulfilment of contracts entered into with the War, Navy and Air Ministries.

Whereas, however, the latter provision applied, in principle, to all undertakings engaged on national defence work, the Decree of October 30th, 1935, applies only to persons supplying war material, a definition of which is given in the Geneva Convention of June 17th, 1925 ; the list which appears in that Convention is repeated in the French text.

These measures enable the departments contracting for war supplies to impose upon the contractors supervision by a Government agent, under threat of administrative sanction.

\* \* \*

### *Law of August 11th, 1936.*

The above provisions were dictated much more by domestic considerations than by principles laid down at Geneva. Hence the French Parliament, taking those principles as a basis and judging, moreover, that the concept of public service to the State is nowhere better exemplified

<sup>1</sup> The beginning of the French Government's efforts to institute supervision of the manufacture of armaments might be placed as far back as 1933, when the question was considered in connection with a draft law to restore the equilibrium of the budget. M. Daladier, at that time President of the Council of Ministers, had inserted provisions in the draft law to ensure the supervision of the manufacture and sale of implements of war. Although favourably reported on by the Finance Commission, this draft failed to become law.

<sup>2</sup> *Journal officiel*, September 11th, 1935, pages 9930, 9931.

<sup>3</sup> *Journal officiel*, October 24th, 1935, page 11202.

<sup>4</sup> *Bulletin officiel, Partie permanente*, 1936, page 36.

<sup>5</sup> *Journal officiel*, October 31st, 1935, page 11509.

<sup>6</sup> *Journal officiel*, May 31st, 1936, page 5797.

<sup>7</sup> *Journal officiel*, July 18th, 1935, page 7671.



than in the production of the means necessary for the country's defence, thereupon undertook to prepare a veritable *national statute of war industries*. This is the aim of the "*Nationalisation*" Act of August 11th, 1936.

The introductory statement to this Act declares as follows :

" France has recently given striking evidence of her loyalty to the international organisation of peace through collective security and progressive disarmament. Concrete form can at once be given to the desires of public opinion by far-reaching nationalisation of war industries and strict control of the activities of undertakings that remain unexpropriated . . .

" France's example will encourage international opinion to recognise the need for the immediate organisation of national control, for the Geneva discussions have shown that such control is the primary condition for any international regulation of the production of war material, and that, without international regulation, it is vain to hope for the armaments race to be stopped."

To secure the object in view, the Act provides for two types of measures :

1. **Expropriation**, in whole or in part, of undertakings manufacturing war materials, within the limits of the normal requirements of national defence.

This is the purport of Article 1, which reads as follows :

" *Article 1.* — Before March 31st, 1937, decrees adopted by the Council of Ministers, on the proposal of the Minister of National Defence and War, the Minister of Marine or the Air Minister, may order the expropriation, in whole or in part, of undertakings manufacturing or trading in war material.

" War material shall include :

" (1) Fire-arms, and ammunition therefor ;

" (2) Implements for the carriage of fire-arms and for the use of fire-arms in war (fighting aircraft, warships, vehicles used in warfare) ;

" (3) Material required for protection against noxious gases.

" Failing free agreement within one month of the publication of the decree of expropriation, the amount of compensation shall be determined as follows :

" Compensation shall be based on the value of the undertaking on the date on which expropriation takes place, with sole reference to the loss resulting from eviction ; in no case may any profit whatsoever accrue to the person expropriated.

" The amount shall be determined by two arbitrators, appointed by the Minister and the expropriated party respectively. Should the latter fail to appoint an arbitrator within fifteen days of being called upon to do so, an appointment shall be made by means of a court order from the President of the civil court of the district in which the expropriated undertaking is situated.

" The two arbitrators shall reach a decision within three months of their appointment, unless the parties agree to prolong that period.

" Should they fail to agree upon the amount of compensation, the two arbitrators shall appoint a third arbitrator.

" Should they fail to agree upon this appointment, the third arbitrator shall be appointed, at the request of either party, by the First President of the Court of Appeal of the district in which the undertaking is situated.

" The third arbitrator shall reach a decision within one month of his appointment.

" Arbitrators shall not be bound to observe any special form of procedure.

" The arbitral award, which shall be communicated to the parties through the Minister, shall be open to appeal before the Council of State, under the stipulations of the Decree of July 22nd, 1806, as amended by Article 24 of the Law of April 13th, 1900.

" The public authorities may take over the expropriated undertaking as from the date of publication of the decree of expropriation, on condition that they prepare an inventory in the presence of the other party and pay provisional compensation to those entitled thereto.

" The arbitral award shall be registered free of tax and shall be given executory validity by the First President of the Court of Appeal."

2. **Strict supervision** of the activities and profits of non-expropriated private undertakings chiefly or partly engaged in manufacturing and trading in war material.

This is the purport of Article 2, which reads as follows :

" *Article 2.* — As from the date of promulgation of the present law, undertakings manufacturing or selling war material as defined in Article 1 may only continue, and the activities of their intermediaries and publicity agents may only be pursued, subject to authorisation and supervision by the Government."

Both the above types of measure were necessary ; for, although expropriation appears to be the best and the most thorough-going solution, since it transforms private factories and workshops engaged in armament production into Government undertakings, yet it was not possible or desirable to apply to all private industry.

In the enforcement of the Nationalisation Law, account had to be taken, in particular, of the profound differences existing between the War, Navy and Air Departments in the matter of the organisation of the manufacture of land, sea and air armaments ; and more especially of the varying parts played in each of those three spheres by Government and private undertakings respectively.



Thus the Navy Department, following ancient tradition, was already producing in its own arsenals a very great proportion of the warships, artillery and ammunition required for the naval forces.

The War Department, although possessing a considerable number of its own factories, turned to private industry for an appreciable part of its arms and ammunition and for the whole of its tanks, armoured cars, etc.

The Air Department had no Government factories under its control, and therefore obtained all its aircraft bodies and engines from private industry.

In this way, the Navy and War Ministries, being already in possession of units possessing experience of the manufacture of most war supplies, were able, by means of total or partial expropriation, to turn a considerable number of private undertakings into Government factories, thus achieving nationalisation properly so called.

The Air Ministry, on the other hand, possessing no means for furnishing supervisory staff for expropriated undertakings, was unable to turn these into Government factories, and therefore confined itself to contributing expropriated assets to the working capital of the "National companies", a majority of the stock of which is held by the Government. In this case, therefore, nationalisation takes the shape of Government supervision.

## II. NATIONALISATION.

Nationalisation properly so called entails the expropriation and the transforming of the undertakings affected into Government undertakings in the sense of Article 1 of the law summarised above.

In conformity with a series of decrees adopted between October 1936 and March 1937, *twelve factories, groups of factories or workshops of private factories* were expropriated by the War and Navy Departments and transformed into Government undertakings. Among the undertakings affected by this step, mention may be made of the factories or workshops of Schneider, Renault, Brandt, Hotchkiss, etc., all specialised in the manufacture of war material or ammunition.

### *Measures taken.*

(a) *Expropriation. Occupation. Compensation.* — According to the provisions of the Law of August 11th, 1936, an expropriation decree transfers ownership to the State, the occupation of the undertaking being brought about by a ministerial ordinance.

The expropriation decree specifies the properties covered — *i.e.*, on the one hand, the land, whether built upon or not, which is further described in the cadastral survey attached, and, on the other hand, the existing equipment, tools, stocks of every description, including materials in course of manufacture or assembly, and furnishings, as enumerated in an inventory drawn up in the presence of the expropriated party.

As the date of taking over is not specified in the law and may be decreed at a suitable moment, the execution of the relevant provisions can be carried out with the necessary elasticity.

In particular, the procedure laid down enables the various problems of a technical and financial character involved in expropriation to be taken into account. No risk is run by the State, since, during the transition period which elapses before the process is completed, the undertakings concerned are, in practice, under Government supervision; the military engineers appointed to take charge of the undertaking utilise this interval to make themselves familiar with their duties, in contact with the civilian directors who are still exercising their former functions. In addition, the Government is able at any time, under the provisions of the law itself, to take over the undertaking at once, if circumstances so require.

The transitional period also enables the *provisional compensation* to be fixed which, under Article 1 of the Act, must be paid by the public authorities when the undertaking is taken over.

This compensation must, in general, fulfil two conditions: it must be substantial in amount, but at the same time it must be low enough to ensure that in no case shall it ultimately be found to exceed the value of the expropriated undertaking and equipment.

*Final compensation* must be determined within one month of the date either of notification of the expropriation decree, or of the notification of the ordinance specifying the date at which the undertaking will be taken over.

Under Article 1 of the Law of August 11th, 1936, the amount of compensation is based upon the value of the undertaking on the date of expropriation, with sole reference to the loss resulting from eviction, no profit whatsoever accruing to the expropriated party.

According to circumstances, the fixing of the final amount of compensation for expropriation is the consequence either of free agreement between the parties, or of an arbitral award.

Free agreement results from offers made by the authorities to the parties concerned. The amount of such offers is determined by the Minister, on the proposal of a Committee which includes a representative of the Finance Department.

As soon as the offer is accepted, the process is completed.

In case of refusal, arbitration proceedings commence; they may consist of a number of stages, the final one being an appeal before the Conseil d'État.

(b) *Organisation and operation.* — Very detailed provisions are laid down for the smooth and frictionless organisation of the management and operation of factories turned into Government undertakings.

They may be summarised as follows:

As soon as expropriation has been decreed, a military engineer is appointed as manager of the expropriated undertaking, which, when it has been taken over, becomes a Government factory and is run under direct Government administration.



The higher staff of the undertaking is kept on, in so far as its co-operation is deemed necessary. Subject to certain transitional provisions, the subordinate staff in general comes under the regulations applied to workers and employees of the Government Departments concerned.

The planning departments of the expropriated undertakings are, as a rule, attached to the new undertakings.

It has proved necessary, however, to take certain transitional measures to ensure that the preparatory work already begun should continue under satisfactory conditions.

All the necessary steps have been taken to stimulate and foster research work relating to national defence.

### III. SUPERVISION OF UNDERTAKINGS MANUFACTURING AND SELLING WAR MATERIALS.

This supervision, as already stated, is provided for in Article 2 of the Law of August 11th, 1936, the stipulations of which have been amplified by the following :

Decree of August 17th, 1936, laying down the general conditions for ensuring the supervision of private undertakings engaged in manufacturing and trading in war material.

Decree of August 18th, 1936, providing for the organisation of supervision of private undertakings.

Decree of August 18th, 1936, laying down conditions for the grant of licences and authorisations to private undertakings.

Decree of January 16th, 1937, laying down the conditions governing State participation in undertakings engaged in manufacturing or trading in war material, where such participation exceeds two-thirds of the share capital.

Decree of January 6th, 1937, relating to financial participation by the State.

The Law of August 11th, 1936, has made possible :

(a) The organisation of *internal supervision* of undertakings by means of financial participation by the State ;

(b) The organisation of *external supervision* carried out by officials of the three Defence Departments, their activities being co-ordinated by the General Directorate for the Control of War Material.

#### A. *Financial Participation.*

By means of financial participation, the State may become the owner of the majority of the shares of the undertaking. This is the method employed in all the nationalisation operations carried out by the Air Ministry. A distinction must be made between this method and that applied by the War and Navy Departments.

1. *System employed by the Air Ministry.* — The Government acquires by purchase or expropriation such assets of undertakings as are deemed necessary for the satisfactory working of the aircraft industry.

Such assets constitute the Government's contribution to the companies known as " National Aircraft Construction Companies ", of which there are at present six, distributed in the main geographical divisions of the country.

This form of nationalisation has the advantage of retaining, in the companies so formed, the full participation of the technical collaborators who have up to the present been engaged in promoting the growth of the aircraft industry.

Lastly, a Sales Department, the " French Office for Air Equipment Exports ", representing the National Companies, is in charge of trade relations with foreign countries.

Expropriations decreed on the initiative of the Air Department (Decrees of January and February 1937) cover seventeen private undertakings engaged in aeroplane or seaplane construction or the manufacture of war material.

2. *System employed by the War and Navy Departments.* — Having turned a number of expropriated undertakings into Government factories, the War and Navy Departments now propose to take a financial share in a number of private armament undertakings in respect of which no expropriation measures have been taken.

This participation will secure for the Government, through the intermediary of its representatives on the administrative bodies and at general meetings of the companies, a very effective power of control over the manufacture of war material, the preparation of industrial mobilisation, and the extent of the profits.

In order to provide for exports of war material, where authorised by the Government, the War Department is also contemplating the creation of joint sales organisations in foreign countries.

3. *Rules applied in all cases of financial participation.* — It has just been shown that the Government may become a majority or a minority shareholder.

Even in the latter case, the system of financial participation gives it far-reaching means of action.

Undertakings in which the State thus assumes a financial part must become limited liability companies, subject to the provisions of French legislation. Such participation can be brought about in one of the following ways :

By an agreement for the purchase of a part of the capital corresponding to the amount of the Government's participation ;

By Government purchase of an additional issue of capital equivalent to the amount of its participation ;

By the transfer, either to an existing or to a new company, of assets expropriated by the Government in virtue of the Law of August 11th, 1936.

The Government thus secures representation at the initial general meeting of the Company or at subsequent ordinary or extraordinary meetings. It exercises such voting-powers as the Articles of Association provide. It must be granted at least two directorships, and appoints a special controlling agent to follow the activities of the company. The agent is duly summoned to attend general meetings, meetings of the Board of Directors and, where appropriate, meetings of the Committee of Management or other similar bodies ; and it is able to oppose such decisions as appear to it to run counter to the interests or rights of the State, especially in matters affecting national defence.

## B. *Supervision proper.*

1. *Object and scope.* — Taken as a whole, the system of supervision laid down in the Law of August 11th, 1936, aims at the exercise of general supervision of the manufacture and sale of war material.

Taken in greater detail, its objects, in the *technical, administrative, financial and statistical fields*, are to bring together data relating to manufacturing processes and the expansion of means of production, to watch over the application of legal provisions, and to supervise the profits and expenditure of the undertakings concerned.

The system applies :

To factories (manufacture, assembly, filling of ammunition, etc.) ;

To sales organisations (imports, exports, internal trade) ;

To intermediaries and publicity agents.

The system appreciably limits the former freedom of the parties affected, whether companies or individuals ; they are now placed in a position of close dependence upon the State.

2. *Methods of enforcement.* — Apart from the system of financial participation by the State, to which we need not revert, the law lays down the following methods of enforcement :

The grant of a licence ;

The grant of an authorisation.

Manufacturing undertakings may now no longer pursue their activities unless they obtain a *manufacturing licence* from the State. The validity of this licence is limited to five years, but it can be renewed for a similar period upon expiry. When it is added that the licence so granted may be cancelled by the State at any moment on the ground of disregard of relevant laws and regulations, the severity of the means placed at the disposal of the State under the present system will be appreciated.

Sales organisations are covered by an analogous system : they may only pursue their activities after obtaining a *special and revocable authorisation* from the State. Similarly, intermediaries and publicity agents working for manufacturing or sales undertakings must, in order to pursue their activities, submit to a similar degree of State supervision and comply with provisions closely resembling those applied to the undertakings for which they work.

3. *Organisation of supervision.* — In order to ensure the due enforcement of the various provisions relating to the supervision of the manufacture and sale of war material, the following bodies have been set up :

Special control groups within each of the National Defence Ministries ;

A General Co-ordination and Centralisation Service for the supervision of the manufacture of and trade in war material.

The *control groups* are set up with the aid of the control services of the National Defence Departments. Officials belonging to them carry out detailed enquiries on the spot, in order to complete and check the information supplied by the undertakings. They examine carefully the activity of the undertakings, their structure, working, technical equipment and the outcome of their financial and industrial activity. In each Ministry, these organs are under the immediate authority of the Inspectorate.

A General Co-ordination and Centralisation Service was set up in September 1936. It is attached to the Ministry for National Defence and War, and constitutes the *General Inspectorate of War Material*, under the direction of a General Inspector of Army Administration.



It also includes one inspector and one technical representative for each of the three National Defence Departments.

An Ordinance of December 10th, 1936, defines the *inter-departmental functions* of this General Inspectorate, which, under the authority of the Permanent Committee for National Defence, fulfils the following main purposes :

- (1) To examine applications for, and recommend the grant, renewal or withdrawal of, licences ;
- (2) To co-ordinate the activities of the control groups and the implementation of their work ;
- (3) To centralise and check all statistical information relating to the manufacture and sale of war material ;
- (4) Eventually, to prepare the material to be submitted to the international supervisory organs.

The work of centralisation and co-ordination carried out by this body has proved especially important and fruitful.

It has proved *important*, not only because of the number of questions dealt with, but also because of the relative complexity of the supervisory activities that are now being carried out, as has been seen, under extremely diverse conditions. This is more particularly the case, since the system instituted by the Law of August 11th, 1936, has not entirely replaced the earlier system to which reference is made in the first part of this memorandum ; in certain respects, the two systems still exist side by side.

The work of centralisation and co-ordination has proved *fruitful* through the use made of the information collected. All this information is placed in the files of the General Inspectorate, which keeps up-to-date lists of manufacturing and sales undertakings and is in a position to supply any statistical information required by Ministers and by the Permanent Committee of National Defence, or, eventually, by the international supervisory organs.

\* \* \*

#### CONCLUSION.

It will be seen that resort to the means of action placed at the disposal of the three departments of National Defence by the Nationalisation Law of August 11th, 1936, has led, through the combined use of expropriation, financial participation by the State, and direct supervision of undertakings engaged in the manufacture of and trade in armaments, to the creation of a " national state of war industries ".

France has thus, for her part, fulfilled the primary condition for setting up international supervision of war industries. Her example, if followed elsewhere, should lead to the successful outcome of the negotiations on publicity and on the general limitation of armaments.

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#### HUNGARY.

[*Translation.*]

Geneva, December 17th, 1937.

In reply to your Circular Letter Conf.D./C.L.17(a), dated October 23rd last, regarding the resolution adopted by the Assembly of the League of Nations on September 30th last, in which you enquired of my Government whether it would, in principle, be prepared to examine internal measures with a view to the effective supervision of the manufacture of and trade in arms, ammunition and implements of war, I have the honour, by order of my Government, to refer to my letter No. 171/b.—1937, dated August 25th last.<sup>1</sup> My Government's attitude has in no way changed since that date.

I can only repeat, therefore, that, as long as equality of rights in respect of armaments has not been realised in practice, the Royal Hungarian Government cannot see its way to participate in the work for the reduction of armaments, and therefore considers that it would be useless for it to adopt a definite position in the fundamental question of the effective supervision of the manufacture of and trade in arms.

(Signed) László BARTÓK  
(In the absence of the Minister),  
Counsellor of Legation.

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#### IRELAND.

Geneva, January 7th, 1938.

I have the honour to refer to your letter Conf.D./C.L.17, of October 23rd, 1937, transmitting copy of a resolution on the supervision of the manufacture of and trade in armaments, adopted by the Assembly on September 30th, 1937, and to state for your information that my Government is of opinion that the import of arms, ammunition and implements of war into Ireland is effectively supervised.

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<sup>1</sup> Note by the Secretariat : See document Conf.D.178, page 5.

The Irish Government is satisfied that adequate control is provided by the Explosives Act, 1875, and the Fire-arms Act, 1925, and the Regulations made thereunder.

The import of fire-arms, ammunition and explosives is permitted only under licence, and only one firm is at present licensed to manufacture ammunition. Shot-gun cartridges are the only type of ammunition manufactured by that firm. I have to add that no export trade in armaments is carried on.

(Signed) F. T. CREMINS,

*Permanent Delegate  
accredited to the League of Nations.*

#### NORWAY.

[Translation.]

Geneva, November 24th, 1937.

In reply to your circular letter of October 23rd, 1937, (Conf.D./C.L.17(a)), concerning the resolution adopted by the Assembly on September 30th last, I have the honour, with regard to its second recommendation, to refer you to the Memorandum and Annex <sup>1</sup> transmitted by my *note verbale* of August 3rd, 1937, containing information on the national supervision of the manufacture of and trade in arms in Norway. I would add the following :

The Ministry of Defence of Norway states that there are at present no proposals for amending the law or administrative regulations in force in Norway with regard to the supervision of the manufacture of and trade in arms, ammunition and implements of war.

(Signed) Einar MASENG,

*Permanent Delegate of Norway.*

#### NEW ZEALAND.

Wellington, December 1st, 1937.

I have the honour to acknowledge the receipt of your letter Conf.D./C.L.17(a), of October 23rd, forwarding to me a copy of the resolution, with reference to armaments, adopted by the Assembly on September 30th last.

In accordance with the request contained in the third paragraph of your communication, I have to say that the manufacture of arms, ammunition and implements of war in New Zealand is confined to a small production of ammunition which is already under full supervision.

(Signed) M. J. SAVAGE,

*Prime Minister.*

#### SWEDEN.

[Translation.]

Stockholm, November 9th, 1937.

In a circular letter (Conf.D./C.L.17(a)), dated October 23rd, 1937, you communicated to me the resolution adopted by the Assembly of the League of Nations on September 30th last with regard to the work of the Conference for the Reduction and Limitation of Armaments, and asked me to inform you of the action taken on the second recommendation contained in this resolution, which relates to the consideration by each of the States Members of the League of Nations — in so far as this has not already been done — of internal measures with a view to the effective supervision of the manufacture of and trade in arms, ammunition and implements of war.

In reply to this request, I have the honour to send you herewith a memorandum relating to the supervision of the manufacture of and trade in arms and implements of war in Sweden. In the Swedish Government's opinion, the provisions in force are such that it is able to exercise effective supervision in this connection.

For the Minister :

(Signed) H. BECK FRIIS,

*Director of Political Affairs.*

<sup>1</sup> Note by the Secretariat : The above-mentioned texts will be analysed and the relevant extracts reproduced in document Conf.D.184, which gives the results of the enquiry carried out by the Secretariat in conformity with the resolution adopted by the Bureau on May 31st, 1937.



Annex.

MEMORANDUM ON THE SUPERVISION OF THE MANUFACTURE OF AND TRADE IN ARMS AND WAR MATERIAL IN SWEDEN.<sup>1</sup>

1. *Trade.*

Under the regulations at present in force — namely, those laid down in the Royal Decree of December 19th, 1930, the text of which, as amended on various occasions and in the last place by the decree of February 26th, 1937, is attached — the export from Sweden, without a Government authorisation, of arms and war material falling within the categories enumerated in that decree is prohibited. Authorisations are, generally speaking, valid only for a maximum period of three months. The Government, acting in accordance with the principles of the 1925 Convention for the Supervision of the International Trade in Arms and Ammunition and in War Material, authorises the export of arms and war material intended for war purposes only when they are consigned to Governments. Every six months, the Ministry of Commerce draws up a table of exports of war material, while the Customs authorities see to it that the relevant provisions have been observed before allowing the export of any goods considered as war materials.

The importation of fire-arms and of ammunition therefor is forbidden by the Royal Decree of June 22nd, 1934 (text attached), unless an authorisation is obtained from the Minister for Labour and Social Welfare.

2. *Manufacture.*

In 1932, the Swedish Government appointed a Committee to study the question of supervising the manufacture of war material. Acting on that Committee's recommendations, the Government and the Riksdag provided for the putting into force of a series of measures of supervision by means of a Law dated June 20th, 1935, and the Royal Decree of the same date, the text of both of which is attached. The effect of these provisions is to prohibit the manufacture of war material in Sweden, except when an authorisation has been obtained from the Government. No authorisations are granted to undertakings whose shares are held to any appreciable extent by foreigners. The authorisation is valid for an indefinite period, but is subject to cancellation at will. The provisions do not apply to Government factories and workshops for the manufacture of arms and war material. Requests for authorisations to manufacture war material must specify the place of manufacture and the type or types of material it is proposed to produce. In granting the authorisation, the Government imposes such stipulations and conditions as it considers necessary.

3. *Agents.*

The exercise of the profession of agent for the sale, etc., of war material, without authorisation from the Government, is forbidden under the terms of the Royal Decree of June 5th, 1936, the text of which is attached.

4. *Supervisory Body.*

The manufacture of war material, and the activities of the agents mentioned above, are supervised by a body set up specially for the purpose at the Ministry of Commerce — namely, the War Material Inspectorate ("Krigsmaterielinspektionen").

5. *Anti-gas Equipment.*

The manufacture, sale and importation of equipment for protection against gas is, under the terms of the Law of June 11th, 1937, and of the Royal Decree of the same date (text attached), subject to a special form of supervision exercised by the War Material Inspectorate.

\* \* \*

The provisions enumerated above enable the Swedish Government to be acquainted with all undertakings manufacturing war material in Sweden, the amounts manufactured in each category of war material, and the volume, value and geographical distribution of exports, etc. Through the War Material Inspectorate, it is also able to follow developments in other countries, as well as international events in this sphere.

Stockholm, November 9th, 1937.

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<sup>1</sup> *Note by the Secretariat:* The legislative texts referred to in this memorandum will be analysed and the relevant extracts reproduced in document Conf.D.184, which gives the results of the enquiry carried out by the Secretariat in conformity with the resolution adopted by the Bureau on May 31st, 1937.

## SWITZERLAND.

### I. COMMUNICATION DATED DECEMBER 31st, 1937.

[*Translation.*]

In your letter dated October 23rd last, you expressed a wish for information as to the action taken in Switzerland on the Assembly resolution of September 30th last in regard to the manufacture of and trade in arms, ammunition, and implements of war.

We have the honour to send you herewith copy of a decision dated December 23rd last, by which the Federal Assembly submits to the votes of the people and the cantons the text of a demand for a popular initiative and that of a counter-proposal by the Federal Chambers, both texts relating to the control of the private armament industry.

We shall not fail to inform you of the results of the voting in due course.

Federal Political Department, By Order :

(*Signed*) C. GORGÉ.

#### Annex.

#### FEDERAL DECISION CONCERNING THE DEMAND FOR A POPULAR INITIATIVE DIRECTED AGAINST THE PRIVATE ARMAMENT INDUSTRY.

(December 23rd, 1937).

*The Federal Assembly of the Swiss Confederation,*

In view of the demand for an initiative directed against the private armament industry (abrogation of Article 41 of the Federal Constitution) and the report of the Federal Council of July 13th, 1937 ;

In view of Articles 121 and following of the Constitution, and Articles 8 and following of the Law of January 27th, 1892, concerning the form of procedure for demands for popular initiatives and votes on the subject of the revision of the Federal Constitution ;

*Decides :*

#### *Article 1.*

There shall be submitted to the votes of the people and the cantons :

1. The demand for an initiative, in the following terms :

“ Article 41 of the Federal Constitution is hereby abrogated and replaced by the following text :

“ The manufacture, purchase, and sale of arms, ammunition, and war material of whatever kind are within the sole competence of the Confederation for the purposes of national defence.

“ The right to manufacture, buy and sell arms, ammunition, and war material may be conceded by the Confederation for limited periods to Swiss citizens or companies giving every guarantee of their independence of foreign countries and foreign armament industries.

“ Concession-holders shall be subject to control by the Confederation. The persons entrusted with such control shall be entitled at all times to enter freely all the offices, premises, or workshops of the concession-holders, to examine and check all account-books, documents, and correspondence, and to interrogate the concession-holders, their staff, and generally any person connected with the undertaking.

“ Arms, ammunition, and war material may not be imported, exported or conveyed in transit without the authorisation of the Confederation.

“ The Federal Council shall determine by decree the manner of execution.”

2. The counter-proposal of the Federal Assembly, in the following terms :

“ Article 41 of the Federal Constitution is hereby abrogated and replaced by the following text :

“ The manufacture and sale of gunpowder are the exclusive prerogative of the Confederation.

“ The manufacture, acquisition and distribution of and trade in arms, ammunition, explosives, and other war material, or component parts thereof, shall be subject to authorisation by the Confederation. Such authorisation shall be accorded only to persons and undertakings offering the guarantees required in the national interest. The rights of the establishments belonging to the Confederation itself are reserved.

“ Arms, ammunition and war material within the meaning of the present provisions may not be imported or exported without the authorisation of the Confederation. The Confederation shall further be entitled to make their conveyance in transit subject to its authorisation.

“ The Federal Council shall issue by decree, without prejudice to Federal legislation, the regulations required for the execution of the second and third paragraphs. In particular, it shall make detailed regulations concerning the grant, duration, and withdrawal of authorisations and the supervision of concession-holders. It shall further determine to what arms, ammunition, explosives, other material and component parts the present provisions apply.”



*Article 2.*

The people and the cantons are invited to reject the demand for an initiative (Article 1, No. 1), and to adopt the counter-proposal of the Federal Assembly (Article 1, No. 2).

*Article 3.*

The Federal Council is entrusted with the execution of the present decision.

II. COMMUNICATION DATED MARCH 9TH, 1938.

[*Translation.*]

By letter of June 19th, 1937, the Secretariat of the League of Nations was good enough to communicate to us the resolution adopted on May 1st, 1937, by the Bureau of the Conference for the Reduction and Limitation of Armaments in regard to the draft Convention on publicity of national defence expenditure and the national supervision of the manufacture of and trade in arms.

In the meantime, the two questions were considered in the League of Nations Assembly, and by letter of October 23rd, 1937, the Secretariat communicated to us the resolution adopted on this subject on September 30th, requesting us in particular to inform it of any action taken in Switzerland with a view to the "effective supervision of the manufacture of and trade in arms, ammunition and implements of war".

As you are aware, the Swiss delegation associated itself in the Assembly with the draft resolution submitted by the delegations of Belgium, Denmark, Finland, the Netherlands, Norway and Sweden recommending the conclusion of an international convention on the publicity of national defence expenditure and the establishment in the various countries of national supervision over the manufacture of and trade in arms.

As regards the problem of publicity, the Swiss delegation pointed out that in its view a solution would hardly be possible without the co-operation of the States principally concerned.

The Federal authorities cannot but confirm this view.

The question of the supervision of the manufacture of and trade in arms has entered upon a decisive phase in Switzerland. On February 20th last, the Swiss people and Cantons decided, by a national referendum, to abrogate Article 41 of the Federal Constitution and substitute for it the following text :

"The manufacture and sale of gunpowder are the exclusive prerogative of the Confederation.

"The manufacture, acquisition and distribution of and trade in arms, ammunition, explosives, and other war material, or component parts thereof, shall be subject to authorisation by the Confederation. Such authorisation shall be accorded only to persons and undertakings offering the guarantees required in the national interest. The rights of the establishments belonging to the Confederation itself are reserved.

"Arms, ammunition and war material within the meaning of the present provisions may not be imported or exported without the authorisation of the Confederation. The Confederation shall further be entitled to make their conveyance in transit subject to its authorisation.

"The Federal Council shall issue by decree, without prejudice to Federal legislation, the regulations required for the execution of the second and third paragraphs. In particular, it shall make detailed regulations concerning the grant, duration, and withdrawal of authorisations and the supervision of concession-holders. It shall further determine to what arms, ammunition, explosives, other material and component parts the present provisions apply."

The Confederation thus possesses the necessary means to ensure complete and effective supervision over the manufacture of and trade in arms, munitions and implements of war. An executive decree, the terms of which will be communicated to the Secretariat later, will come into force in the near future.

(Signed) MOTTA,  
Federal Political Department.

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**TURKEY.**

[*Translation.*]

Ankara, February 8th, 1938.

I have the honour to acknowledge receipt of your letters of June 19th, 1937 (Conf.D./C.L.16), and October 23rd, 1937 (Conf.D./C.L.17), relating to the conclusion of an international convention on the publicity of national defence expenditure and to the adoption of internal measures with a view to the effective supervision of the manufacture of and trade in arms, ammunition and implements of war.

I beg to inform you in reply that Turkey finds herself unable, in spite of her keen wishes in the matter, to accede to a convention of this description while the scheme of publicity for national defence expenditure, which is the foundation of the convention, is not applied throughout the world or, at the least, throughout Europe.

As for the supervision of the manufacture of and trade in arms, this is already in effective operation. The Government of the Republic intends, moreover, to take suitable legislative measures, and I will not fail to inform you as soon as a Bill with this object has been approved by the Grand National Assembly of Turkey.

For the Minister *a.i.* :  
(Signed) N. MENEMENCIOGLU,  
*Secretary-General.*

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#### UNION OF SOVIET SOCIALIST REPUBLICS.

[*Translation.*]

Moscow, January 3rd, 1938.

In reply to your letter of October 23rd, 1937, I have the honour to inform you that the Government of the Union of Soviet Socialist Republics has noted the recommendation adopted by the Assembly of the League of Nations on September 30th, 1937, the object of that recommendation being the examination — in so far as this has not already been done — of internal measures with a view to the effective supervision of the manufacture of and trade in arms. It will be recalled that Soviet legislation already provides for such supervision, the manufacture of and trade in arms being a State monopoly in the Union of Soviet Socialist Republics.

As regards the draft international convention on the publicity of national defence expenditure, the adoption of which, in the opinion of the Governments of France, Great Britain and other States, must be contingent on its acceptance and application by the principal military Powers, this question can no longer be regarded as of immediate concern in view of the fact that the Japanese Government, in its communication of August 27th, 1937, <sup>1</sup> states that it is not prepared to publish its national defence expenditure in the form contemplated in the Technical Committee's draft.

(Signed) M. LITVINOFF,  
*People's Commissary for Foreign Affairs.*

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<sup>1</sup> Note by the Secretariat: See document Conf.D.178, page 5.





