

LEAGUE OF NATIONS.

O.C./Confidential/31.

Geneva, May 25th, 1938.

ADVISORY COMMITTEE ON TRAFFIC IN OPIUM AND
OTHER DANGEROUS DRUGS.

PREPARATORY WORK FOR A CONFERENCE ON THE POSSIBILITY
OF LIMITING AND CONTROLLING THE CULTIVATION OF THE
OPIUM POPPY AND THE PRODUCTION OF RAW OPIUM.

STATEMENT BY THE ACTING DIRECTOR OF THE OPIUM
TRAFFIC SECTION AT THE OPENING MEETING, May 23rd, 1938.

The Secretariat would like to make a statement as an introduction to the Committee's work. The statement will cover, as briefly as possible, the following four points:-

(1) The situation in 1936 as compared with 1935 in regard to world production, world consumption, world stocks and international trade in raw opium;

(2) The principal documents submitted or to be submitted to the Committee;

(3) The probable results of the work of the Preparatory Committee at the present session, and

(4) The procedure to be followed during the present discussions.

1. Situation in 1936 as compared with 1935 as regards world production, consumption, stocks and export trade of producing countries.

The situation will be shown in the special statistical tables in the series O.C./Confidential/18 which will be available to the Committee in a few days' time. In as much as the figures for 1936 are not yet in the hands of the Committee, it might interest the Committee to hear a few comments on the development in 1936 as compared with 1935.

(a) Production.

The situation in Afghanistan, China, and Manchuria and Jehol is for the present left aside but will be dealt with later.

World production shows an increase of about 660 tons, the total in 1935 having been about 1,640 tons and in 1936 about 2,300 tons.

As regards the Indian States for which no production figure for 1936 is as yet available, the Secretariat has assumed the production to be about the same as in 1935, i.e. about 250 tons.

The greatest increase in production (1936) is to be noted in Iran where production increased from 833 tons in 1935 to 1,347 tons in 1936. In this connection reference is made to the Iranian annual report for 1936 in which information is given to the effect that the Government of Iran had instituted a new system for collecting the opium crop, realising that under the old system considerable quantities escaped collection. Under the new system special Government purchasing commissions are sent to each producing district in order to collect the crop. In this way it has been possible for the Opium Monopoly to collect a larger part of the production.

There was also a substantial increase in production in Turkey of about 146 tons (280 tons in 1935 and 426 tons in 1936). Slight increases, if the absolute quantities are considered, occurred in British India, an increase of $7\frac{1}{2}$ tons, and in Korea, an increase of 9 tons.

In all other producing countries for which information is available production decreased, namely in Yugoslavia by 7 tons, in the U.S.S.R. by 4 tons, in Bulgaria by $2\frac{1}{2}$ tons, and in Japan by a little over one ton.

(b) Area under cultivation.

Before any figures of area under cultivation are given, it is necessary to remember that in most cases area under cultivation is arrived at by estimates.

There was a general increase of the area under cultivation in all producing countries except Korea, where the situation was more or less unchanged.

The total area under cultivation is estimated at 97,500 hectares in 1936 as compared with about 80,500 in 1935. There is no information available as to the area under cultivation in the Indian States in 1936 which has, however, been assumed to have been the same as in 1935.

In the total increase of about 17,000 hectares, Turkey has the largest part of no less than 11,670 hectares, followed by Iran with 4,140 hectares. The figures for Turkey were in 1935 25,410 and in 1936 37,080 hectares, and for Iran 18,860 in 1935 and about 23,000 in 1936.

(c) Quantities of raw opium used in 1936 for all purposes.

(1) For the manufacture of drugs.

There is to be noted here a substantial increase for 1935 of 67 tons, (from 255 tons to 322 tons for 1936).

(2) For the manufacture of monopoly prepared opium in countries which send returns.

The situation in these countries is almost the same, showing an increase of from 280 tons in 1935 to 281 tons in 1936.

(3) For use in the form of medicinal opium, tinctures, extracts, etc.

Here is to be noted an increase from 1935 to 1936 of over 50%, i.e. from 28 tons to 43 tons. It should be noted, however, that the quantities of raw opium used for this purpose do not play an important rôle in the total world consumption.

(4) For use for non-medical consumption other than in the form of prepared opium.

It is not possible to make any statement as regards the quantities used for this purpose in 1936 as information is lacking from two of the most important countries in this respect, namely the Indian States and Iran.

TOTAL WORLD CONSUMPTION FOR ALL PURPOSES.

Here again it is not possible to make any definite statement on account of the lack of information concerning the internal consumption in the Indian States and Iran as just mentioned. If the consumption in these two countries were assumed to have been the same as in 1935, the total world consumption for all purposes in 1936 would have amounted to 1120 tons as compared with 1037 tons in 1935, or in other words an increase of about 83 tons.

The Committee's attention is drawn to the following figures for 1936, namely, estimated world production 2300 tons and estimated world consumption 1120 tons, which shows that even if account is taken of difference in consistence, world production considerably exceeded world needs. To this figure may be added another figure, namely the estimated stocks held in producing countries at the beginning of 1936, about 2650 tons.

(d) World Stocks.

(a) Stocks in producing countries.

The total estimated stocks in producing countries in 1935 amounted to 2650 tons and in 1936 to 3574 tons. In respect of both years, however, the stock figures for the Indian States and for Iran are estimated by the Secretariat in the absence of official statistics. In regard to the Indian States, stocks in 1935 and 1936 are assumed to have been the same as in 1934, about 400 tons.

As regards Iran, stocks have been calculated as follows:

| | |
|--|------------|
| Production in 1936 as reported by Iran | 1,347 tons |
| Exports reported to the Permanent Central Opium Board | 131 tons |
| Internal consumption estimated by the Secretariat to have been the same as in previous years | 155 tons |

Of the production in 1936, there would thus remain in stock about 1061 tons to which should be added the estimated stock at the end of 1935, or about 584 tons.

In Turkey stocks showed a decrease from 585 to 476 tons or 109 tons, and British India a decrease of 75 tons or from 914 to 839 tons. Other producing countries recorded more or less important increases, namely Yugoslavia 20 tons, U.S.S.R. 11 tons, Japan 6 tons, and Korea 5 tons. Bulgaria and Greece have slightly decreased their stocks.

(b) Stocks in drug manufacturing countries.

There were in 1935 196 tons and in 1936 260 tons, i.e. an increase of 64 tons.

(c) Stocks in countries manufacturing prepared opium which send returns.

In this respect there is to be noted a fairly large decrease of about 150 tons, from 841 tons in 1935 to 689 tons in 1936.

(d) Stocks in all other countries which send statistics.

These stocks are unimportant, having been less than 2 tons both in 1935 and 1936.

If the above figures are added up world stocks of raw opium in 1935 were about 3690 tons and in 1936 about 4525 tons.

(e) Export trade of producing countries.

The total volume of the export trade of the producing countries according to the statistics furnished to the Permanent Central Opium Board by importing countries (acknowledged imports) was about 436 tons in 1936 as compared with 391 tons in 1935, i.e. an increase of 45 tons.

The most marked increase of export is to be noted in regard to Turkey. In 1935 importing countries were recorded as having imported from Turkey 94 tons and in 1936 191 tons, that is an increase of no less than 97 tons. It should be noted, however, that the year 1936 may not, perhaps, be considered as a normal year. In 1933, there were large exports from Turkey, part of which were on a consignment basis. As a result exports in 1934 and 1935 showed considerable decreases. It is also known that part of the exports from Turkey in 1936 were on a consignment basis.

Bulgaria increased its exports from 2 to 4 tons, Korea from $7\frac{1}{2}$ to 11 tons, and Afghanistan from 13 to over 18 tons. The other producing countries all showed more or less important decreases in their exports.

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The characteristic features of the situation in 1936 as compared with those in 1935 may be summed up as follows: a marked increase of world production not

corresponding to any large increase in consumption. The inevitable result was an important increase in the stocks kept in producing countries. It would appear from the statistical information available that as against world requirements in 1936 of some 1200 tons, the world disposed in the same year of about 6000 tons composed as follows:

(a) Stocks at the beginning of the year of about 3690 tons and

(b) Production in 1936 about 2300 tons.

If these figures correspond to the actual facts, the conclusion to be drawn is that world supplies far exceeded world requirements. Even if the production figure (2300 tons) is reduced by 25-30% on account of lower consistence than opium in stock, the world supplies in 1936 would have materially exceeded 5,000 tons.

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The Secretariat would now like to refer to the situation in some producing countries in regard to which very little information has been available. Here it is a question of Afghanistan, China and Manchuria and Jehol. The Advisory Committee at its last session stated in regard to these countries that the deficiencies in the information at its disposal needed to be made good and that no estimate of world production can be a sure basis which does not include a clear appreciation of the situation in these countries. On the whole the situation in this respect is the same as last year but some facts which might help the Committee to appreciate the situation have become known.

As regards Afghanistan, an annual report for 1937 has just been received and will be in the hands of the Committee shortly. The following information is contained inter alia in the report. In 1932 the area under poppy cultivation was, roughly, 4000 hectares. The annual production obtained from this area is estimated at about 75 tons.

A department of agriculture has recently been created. The Committee may therefore expect that in the future more exact information will be available as regards the situation in Afghanistan.

There is a monopoly for the export trade of raw opium which is exercised by the National Bank of Afghanistan.

Further it may be mentioned that according to information given by the Permanent Delegation of Afghanistan in Geneva, all non-medical consumption of opium is forbidden by law.

As to China, the Committee has production figures for the years 1934 to 1936. In 1934 the production reported by the Government of China was, roughly, 7000 tons, in 1935 about 4400 tons and in 1936 about 1900 tons. The 1936 figure, however, does not include the production in Yunnan Province which in 1935 produced about 422 tons. No information is available in regard to stocks in China or in regard to the quantities consumed. The annual report for 1936 states that there were about 3600000 registered smokers but these figures are admittedly not complete.

The declared policy of the Chinese Government of abolishing within a fixed period both poppy cultivation and opium smoking is well known to the Committee.

In regard to the situation in Manchuria and Jehol, the Committee will remember that it has requested Governments to furnish as much information as possible.

The representative of the United Kingdom has as usual supplied some data from which an idea of the extent of poppy cultivation may be gained. It appears that the area authorised for poppy cultivation in 1936 was about 70000 hectares and in 1937 about 46000 hectares. No information is available as regards the approximate output per hectare. Further, it should be mentioned that the Secretariat has received from the Japanese Bureau for International Conferences in Geneva a pamphlet entitled "Facts concerning Opium and other Dangerous Drugs" which refers to Manchuria and Jehol. The pamphlet was issued in December 1937 by the Bureau of Research of the Foreign Office, Hsinking. On pages 7 and 9 of this pamphlet there are figures showing area under cultivation and quantities of raw opium purchased by the Monopoly since 1933. The following figures may be quoted showing the area under cultivation:

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|---------|----------------|
| In 1936 | 88000 hectares |
| 1937 | 1,030,000 " |
| 1938 | 710,000 " |

These figures should be compared with the figures just referred to furnished by the Representative of the United Kingdom in an extract from the Official Gazette, showing area authorised for poppy cultivation, namely in 1936, 70,000 hectares and in 1937 46,000 hectares. This discrepancy is so great that it is to be assumed that there has been some error in converting local measurements into hectares. The quantities purchased by the Monopoly were the following:

| | |
|------|----------------|
| 1933 | 171 tons |
| 1934 | 331 " |
| 1935 | 580 " |
| 1936 | 515 " |
| 1937 | 675 (estimate) |

It is not stated whether the purchases were exclusively of locally grown opium.

2. The principal documents before the Committee.

These documents are listed in Document O.C./Confidential/30

The main document to be discussed at this session is the document prepared by the Secretariat on the principles on which a future Convention might be based. This is Document O.C./Confidential/27 which also has three annexes to which reference will be made later.

It is not intended to give now a detailed account of this document but only to draw the attention of the Committee to the most important questions which the Committee would probably want to discuss point by point. A table of contents is found on the back of the front page of the document.

The principal points are the following:

1. Future world requirements under four headings:
 - (a) for the manufacture of narcotic drugs,
 - (b) for the manufacture of prepared opium,
 - (c) for use in the form of medicinal opium, etc.,
 - (d) for internal non-medical consumption other than prepared opium.
2. Methods of establishing world requirements for the purpose of the Convention (system of estimates).
3. Methods of allotting production to producing countries.
 - (a) the quota system
 - (b) the free order system
 - (c) a combined free order and quota system.
4. International supervision and control of estimates and of allotment or production through an international controlling authority.
5. National control over production.
6. International statistical control over the application of the Convention.
7. International trade (export trade of producing countries) under the new Convention;
 - (a) under the quota system,
 - (b) under the free order system,
 - (c) under the combined system.
8. The question of stocks, which includes two different problems, namely,
 - (a) the so-called regulating stocks, and
 - (b) the question of reduction of present excessive stocks in producing countries.
9. Obligations of producing and consuming countries under the new Convention.

10. Various other questions:

- (a) the problem of consistence and of morphine content (Doc. O.C./Confidential/28),
- (b) the question of prices of raw opium,
- (c) the question of poppy straw as a raw material for the manufacture of opium alkaloids, and
- (d) application of import and export certificate system to the international trade in raw opium.

The Committee's attention is particularly drawn to page 5 of document O.C./Confidential/27 which gives a list of the main principles for the limitation of poppy cultivation which result from the Secretariat's study. These are the following:-

- (1) World requirements of raw opium to be ascertained by a system of Government estimates;
- (2) The Governments of importing countries to undertake the obligation to take over each year such quantities as have been estimated for (binding estimates);
- (3) Governments of producing countries to submit estimates concerning the area to be cultivated;
- (4) Estimates to be examined by an international controlling authority;
- (5) The controlling authority to have the task of allocating to each producing country the annual quantities to be produced (production quotas);
- (6) Alternative methods for the allocation of the exportable quantity to exporting-producing countries (export quotas);
- (7) Regulating stocks to be kept in producing countries at a fixed level;
- (8) A system of international statistical accountancy and ex post facto international control of the working of the Convention;
- (9) Measures to safeguard the carrying out of the Convention by producing countries through national control; establishment of Government monopolies;
- (10) Existing excessive stocks to be reduced over a period of years.

It should be pointed out that the Secretariat in the document exposes various possibilities which seem to offer themselves. Members of the Committee will no doubt suggest other possibilities and draw attention to other important points. The object of the Secretariat's document is only to provide a basis for the discussions of the Committee. In this connection the Secretariat wishes to draw the Committee's special attention to the notes on the limitation of the cultivation of opium submitted by M. Bourgois, the representative of France, and contained in Document O.C./Confidential/16.

This document contains the first detailed study of the principles on which a future Convention might be based and has been of the greatest utility to the Secretariat in preparing the document which is now before the Committee.

A short reference may now be made to the annexes to Document O.C./Confidential/27.

Annex I contains a detailed study of some of the most difficult problems, viz: the possible methods of allotting exportable quantities of raw opium to the producing-exporting countries, the question of regulating stocks to be kept in producing countries, the question of reducing present excessive stocks in producing countries to a reasonable level. An appendix gives information re principal features of existing international agreements for the limitation of certain agricultural and other products, viz: wheat, sugar, rubber, tea and tin.

Annex II contains a set of draft rules concerning the control of poppy cultivation and opium production in the producing countries, and

Annex III deals with the position under a limitation scheme of producing countries which use the opium produced in whole or in part for internal purposes.

There are two other documents to which reference should be made and which have been distributed to the Committee recently. These are Document O.C./Confidential/23, part II which deals with the importance of the cultivation of the opium poppy to the population and to the economic life of the producing countries. Part I which the Committee discussed last year contains studies of the situation in these respects in Bulgaria, Iran, Turkey, U.S.S.R. and Yugoslavia. Part II concerns China, India (British India and Indian States), Japan Proper and Korea. The chapter on Yugoslavia contained in Part I has been revised in the light of information given by the Yugoslav authorities and re-issued in Part II. A special section of this document contains a summary in regard to the producing countries as a whole and also reviews the problem of the replacement of poppy by other crops.

The other document which has been distributed is Document O.C./Confidential/28 which contains a study on the basis of existing information of two problems which are very closely related to limitation of poppy cultivation and its effective operation, namely the question of consistence of raw opium and the question of its morphine content. It is not necessary here to go into detail as regards the importance of these two questions for the success of a limitation scheme and for the control of the application of a future Convention.

Mention should now be made of some documents which are in preparation. The special statistical tables concerning world production, world consumption, world stocks and the export trade (Document O.C./Confidential/18 Series) are being re-issued, having been completed with the figures for 1936 and further revised in the light of observations by certain of the producing countries, namely India and Turkey. These tables will be in the hands of the Committee within the next few days. The Secretariat hopes to be able to put before the

Committee at the present session an analysis of the export trade in raw opium of the producing countries. This analysis will form part II to Document O.C./Confidential/21 which the Committee discussed last year and which analysed the world statistics concerning production, consumption and stocks. The analysis of the export trade has an important bearing on the future convention as it shows the share of each producing-exporting country in the export trade in the past.

There are some further studies which have not yet reached the roneo stage but which are almost completed and may be available to the Committee during the session:

A study of the agricultural aspects of poppy cultivation;

A study of the movement of raw opium prices on the world markets and in the principal exporting-producing countries;

A study of poppy straw as a raw material for the manufacture of opium alkaloids. This question has an important bearing on the world requirements of raw opium for the manufacture of drugs. If morphine extraction from poppy straw or poppy heads develops further, the result will be a real decrease in the demand for raw opium for the manufacture of drugs. Morphine extraction from poppy straw is already extensively practised in Hungary and Poland, the former country being able to export and has recently (1936) begun in one of the large manufacturing countries - Germany.

Further a short study of the cultivation of the poppy for other purposes than for the production of raw opium, i.e. for the production of seeds which are used either as such or for the extraction of poppy-oil.

Finally the Secretariat is planning another document which it is hoped will be received by the Committee with interest but which the Secretariat does not intend to produce until after the end of the session. This document would contain a very concentrated account of all questions which have to be taken into account in this connection. In this document would be collected the essential information to enable a study of the whole problem to be made and it might be considered as a handy manual where on a limited number of pages persons interested in the problem would easily find all the facts which have to be considered. In other words this document would be in the nature of a short summary of all the other documents which deal in detail with particular questions.

3. The probable results of the work of the Preparatory Committee.

The task of the Committee is to examine the principles on which a future Convention might be based. Presumably the Committee will be able to submit to the Advisory Committee a sort of plan for the future Convention embodying

a number of suggested methods for limitation to world requirements and which might later serve as a basis for articles of a draft Convention. The report of the Preparatory Committee will of course be submitted to the Plenary Committee at the session which begins in two weeks' time. In the Plenary Committee the report would be discussed in public meetings and, as adopted, included in the Committee's report to the Council or submitted to the Council as a special report. The reports to the Council are always immediately available to the public which takes a great interest in the progress made by the Advisory Committee in any problem connected with the drug question and more particularly in the problem which forms the only subject of this Committee's deliberations.

As regards the further procedure there appear to be two possibilities. The Committee may request its own members to obtain and forward to the Secretariat before a fixed date their Government's observations on the plan adopted, or the Advisory Committee may suggest to the Council that the plan be communicated to all Governments for the same purpose.

Whatever be the procedure adopted finally by the Advisory Committee, the Committee would at its next session - in the spring of 1939 - have before it Government observations which might be incorporated by the Secretariat in an annotated form of the plan adopted now.

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4. The procedure to be followed by the Preparatory Committee at this session.

It is suggested that the most suitable procedure to be followed now would be for the Committee to consider section by section the document O.C./Confidential/27 and annexes which contain the Secretariat's study of the principles on which a Convention might be based. It is possible that for some particularly complicated problems the Committee might wish to appoint Sub-Committees after a first discussion which would furnish guidance for such Sub-Committees, or to return in a Committee of the whole to such special problems.

When all discussions are finished a draft of principles on which there appears to be general agreement and a report to the Plenary Committee would be drawn up. This draft of principles and report would of course be discussed and adopted by the Preparatory Committee in accordance with usual procedure before being submitted to the Plenary Committee at the twenty-third session.