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SUBJECT FILE

Post-War Planning
Progress Report. Book II

ISE 1944

INTERNATIONAL ORGANI-
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DEPENDENT AREAS

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Post-War Planning
Progress Report. Book II

ISE

CONOMIC AND SOCIAL

Trade Barriers

ECONOMIC AND SOCIAL POLICY

GENERAL OBJECTIVES AND PROGRAM

The general objectives of our foreign economic and social policy are the restoration and expansion of international commerce, on a non-discriminatory basis, as an indispensable element in bringing about, within each nation:

1. An expansion of economic activity;

2. The maintenance of high and stable levels of employment; and

3. Rising standards of living.

The adaptation of these objectives to each field of economic and social activity that is involved and our program for attaining them in each case is indicated in the following sections which deal, in the order named, with: (1) relaxation of trade barriers; (2) commodity policy, including both (a) general commodity policy and (b) petroleum; (3) food and agriculture; (4) cartels and private international industrial agreements; (5) investment and development policy, including (a) reconstruction finance, (b) pre-war debts, and (c) lend-lease liquidation; (6) labor and social policy; (7) civil aviation; (8) shipping; (9) displaced persons in Europe; (10) reparation; and (11) European inland transport.

Statements on two general fields--monetary stabilization and international investment institutions--are omitted from this report, as they were covered by the recent international conference at Bretton Woods. A statement on a third field, that of telecommunications, is also omitted until the Department considers recommendations formulated by an Inter-Departmental Committee.

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RELAXATION OF TRADE BARRIERS

I. OBJECTIVES AND PROGRAM

Our policy with respect to trade barriers has for its main objectives:

1. The general abolition of quantitative restrictions on imports and exports;

2. The elimination of exchange restrictions on trade, except under certain circumstances;

3. The substantial elimination of all forms of discriminatory treatment in international trade;

4. The reduction, as rapidly and as extensively as possible, of excessive customs tariffs; and

5. The preservation of private enterprise in traditionally private-enterprise countries, and the establishment of equitable and mutually satisfactory trade arrangements between countries which employ methods of state trading and countries which do not employ such methods.

Our program for attaining these objectives envisages, at the present stage of planning, two main possibilities of action, as follows:

1. The conclusion of a general international convention which would provide for simultaneous reduction of tariffs; substantial elimination of preferences, quantitative restrictions and exchange control; elimination of harmful export taxes and restrictions and of export subsidies; rules for dealing with state trading; and the creation of an international commercial policy agency to promote, facilitate and carry forward the objectives of the agreement; or

2. The conclusion of a general international convention setting forth these basic objectives; comprising an undertaking by the individual countries to conclude bilateral agreements, whose benefits would be generalized to all adhering countries, to carry out the stated objectives; and again providing for the creation of an international commercial policy agency for the purposes stated above.

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In the case of alternative 1 above, the basic questions at issue for us are

a. Whether or not this country would be willing to undertake a substantial reduction of its tariff by a fixed percentage and to abandon its Cuban and other preferential arrangements in exchange for a reduction by the other countries of their tariffs by the same percentage, the elimination of their preferential arrangements and the abandonment by them of other methods of trade regulation, all of these to be accomplished at one step or by stages and, in appropriate cases, to be accompanied by suitable safeguards and escape clauses;

b. Whether or not this country would be willing, as a part of a general commitment, to adjust some of its existing policies as regards important agricultural staples in chronic world surplus supply.

The same questions posed in terms of a series of bilateral actions on our part, pursuant to a multilateral arrangement, are at issue under the second alternative.

II. STATUS

II. STATUS OF THE WORK

Under the terms of Article VII of the Master Lend-Lease Agreements, the United States and the other signatories undertook to consult with each other as to the best means of bringing about reduction of tariffs, elimination of discriminatory trade treatment, and relaxation of trade barriers in general. In September and October 1943, conversations took place between experts of the American and British Governments. These conversations were based on the studies made independently by the experts of the two Governments and resulted in a clarification of basic issues and a substantial definition of the areas of agreement and disagreement. They were adjourned for further study by the respective Governments. Similar conversations took place in January-February 1944, between our and Canadian experts.

As a result of the discussions with the British and the Canadians, there emerged the thought that an effective solution of the problem of trade barriers would be the establishment of a multilateral commercial policy agreement which would deal directly with tariffs, preferences, quantitative restrictions on imports, export taxes and restrictions, subsidies, and state trading.

The subject was discussed on March 15, 1944, by the Committee on Post-War Programs. A recommendation was made--and approved by the Secretary--that discussions at the technical level proceed with the British and other governments with a view to developing and perfecting the tentative program of policy and action described above. The Secretary also directed that alternative methods of approaching the problem be carefully explored. The terms of a proposed multilateral convention for the reduction of trade barriers are now being formulated by the Subcommittee on Trade Barriers of the Executive Committee on Economic Foreign Policy.

Our willingness to resume discussions has been communicated several times to the British Government, which has recently indicated its desire for a resumption of exploratory conversations this autumn.

Invitations to undertake similar discussions have been extended to the Soviet and the Chinese Governments. So far no arrangements have been made.

A circular

A circular instruction to all American diplomatic and consular officers on Post-War Commercial Policy Objectives of the United States has been prepared in the Department and is now being considered by the Executive Committee on Economic Foreign Policy.

A report prepared in the Department opposing a bill S. 2041 providing for an elaborate system of regulation of American foreign trade with a view particularly to encouraging agriculture exports, was approved by the Executive Committee on Economic Foreign Policy on August 4, 1944.