Article VII talks after Breton Woods

FO 371 / 40948

ECONOMIC AND RECONSTRUCTION

F.O. 371

1944

File No. 143

to No. 1285

CLOSED UNTIL 1972

40948

1944

UE

ECONOMIC.

UE 143

8 JUL 1944

Registry Number } UE 143/~~53~~53

TELEGRAM FROM

Sir R. Campbell (Washington).

No. 3672.

Dated 7th July, 1944.

Received in Registry } 8th July, 1944.

UE : Economic.

Proposed Anglo-American discussions after Monetary Conference.

Requests reaction to the suggestion made by the United States State Department that United Kingdom and United States should have "stock-taking" talks after the Monetary Conference, before United Kingdom officials return home.

Copied Treasury.

Last Paper.

— (437/95/238/70)

References.

(Print.)

(How disposed of.)

Copied Tsy
Tel Bretton Woods 70 Cancn 17 July
1) Mr Attlee July 21.
Tel Bretton Woods 76 Cancn 19 July 2) Mr Attlee. July 21.

40948

(Action completed.)

JB 11/7

(Index.)

M H 26/9/45

Next Paper.

(UE241)

(Minutes.)

Gen Special Treasury Dist:

See minutes within. Both the Chancellor & Mr. Dalton agreed with the lines of the draft. minute to Mr P.M., subject to the omission of the passage about the 'transitional period'. The Chancellor has now sent in the minute.

NB. 12/VII

N.A. Dafl.

JCR 11/7

1) Lord Keynes to Sir Richard Hopkins June 25

JCR 14/7

2) Prof. Robertson, Tsy to Mr Coulson July 19

RA 22/7.

The attached letter from Lord Keynes is well worth reading.

On page 4 a reference is made to a proposed invitation to our Delegation to discuss commercial commodity policy after Bretton Woods. So far as I know Mr. Winant has never conveyed this invitation. About a week ago Dr. Penrose, in the course of lunch, asked me whether there was any likelihood that our Delegation would stop on at Washington to have these further discussions, and I said I thought there was no likelihood of this happening. He did not give the faintest indication that his suggestion emanated from Washington and I assumed that it was part of his normal curiosity. He always asks me every time we meet what the prospects of resuming the Article VII talks are. It is conceivable that this very informal conversation (which I had mentioned to Sir D. Waley) may have induced the Ambassador not to act on the State Department's telegram. In any case, I imagine it would be difficult to move the Cabinet to resume Article VII talks on commercial policy until the examination of our position and requirements in stage 2 and the transitional period have made further progress.

J.E. Coulter

5th July, 1944.

N. American Dept.

Mr. Hall Patch

Minister of State

It is worth noting that Mr Winant does not expect the results of the Conference to be taken to Congress before the Election. One wd. suppose that this applies to other subjects which the President is pressing us to discuss with him, & to some extent invalidates the argument that we must not have discussions because we cannot expect impartial solutions immediately before the Election. It is distressing that the plea for greater franchises is still needed in July '44! M Butler 6/7 This is

NOTHING TO BE WRITTEN IN THIS MARGIN.

very mysterious. A fortnight ago Mr. Winant showed me a telegram from Mr. Hull asking Mr. Winant to raise officially with us the question of the Bretton Woods party having further talks in Washington about the general effects of Article VII, after they had finished with Bretton Woods. I didn't take any action on this because Mr. Winant told me that he had raised it with the S/S.

I think that Mr. Winant must have approached the Chancellor too, for I gathered from the latter ~~the latter told me~~ some days ago ~~that~~ there probably would be some general talk about ~~the Bretton Woods boys were going to take up~~ Article VII after ~~they had finished with money.~~ Bretton Woods.

It might be worth while enquiring from the Treasury what the exact position is.

DL 7/7

In view of the Minister of State's minute, I thought it well to tell Dr. Penrose, whom I was seeing this morning, that when he mentioned to me the idea of our Delegation at Bretton Woods staying on in Washington to discuss commercial and commodity policy, I had had no idea that an invitation to this effect had been given us by Mr. Winant. What I had said therefore must in no sense be taken as the reply of H.M.G. to this invitation.

Mr. Penrose said that he had quite understood this. Indeed he had not reported our conversation. He had long realised that our difficulty in resuming Article VII talks was on the Ministerial level and he did not hope to make any progress through his own official contacts.

No harm has been done. JEC

8th July, 1944.

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m.9.

Dear Hoppy,

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M.9. INDEXED UE 143

H43/3/53

Claridge Hotel,
Atlantic City, N.J.
25th June, 1944.

Dear Hoppy,

We had a most peaceful and also a most busy time on board. I have often had the ambition of doing work on a ship, but this is the first time it has really come off. The result was that we got down on paper every point we wanted to raise with White, and discussed nearly all of them with our Allied friends. We also produced a complete revise of the Reconstruction Bank according to our own ideas, and that also we put through the Allies, who greeted it with some enthusiasm. They were all very nice and helpful and there was no serious dispute on any matter whatever. I am sure we established most useful personal and technical links with them. I am afraid we kept the staff working like slaves. Brooks managed to have a complete report of our proceedings stencilled out by the time we arrived in New York.

In spite of all the work, speaking for Lydia and myself we enjoyed ourselves extremely, and I have not been in better health for a very long time. We are sufficiently experienced travellers not to eat too much.

At New York we were met by Brand and Lee and spent the morning with them. As you will have discovered, Brand had not seen Stettinius but will be seeing him with the Ambassador in the course of this week. I shall be surprised if they get very far. We agreed that it would be better to postpone any more definite discussion until Brand had joined us at Bretton Woods, where Acheson will be present as well as Morgenthau and Harry White. Brand is not at all happy about the trend of events in relation to Stage Two, and entirely confirmed the view that it is essential for us to make a new approach not later than August. Otherwise a trend on the American side in the wrong direction will have gained momentum and we shall be faced with unilateral decisions based on considerable ignorance and misapprehension both of our position and of our point of view. Both Brand and Lee strongly reinforced the view previously expressed that we must be far fuller and franker in our statements of our own present position and future intentions to the Americans. A policy of lying low merely means in practice that we abandon our influence on the course of events. As regards developments in Canada, Brand's impression was that the prospects were fairly good and that Clark was seriously considering the expediency of taking over certain military expenses which we have lately suggested to him.

/Turning

he

MARGIN.

Turning now to our proceedings here, everything at present is as smooth and friendly as it could be. Nothing worth mentioning had happened before our arrival, except perhaps that Harry had learnt that the procedure he was attempting was far too complicated to be practicable; the present programme is that on Monday an inter-leaved copy of the Statement of Principles is circulated with our suggestions, the American suggestions, and those of any other Delegations incorporated. The whole body of us in a single committee then work through this clause by clause, referring to smaller ad hoc committees of those specially interested any matter which is too intricate to deal with in the larger gathering and which is sufficiently discussed there for the general trend of opinion to be clear. White is anxious that not too many doubts and choices between alternatives should be finally settled here at Atlantic City, since it is important for him that there should be no appearance of asking the members of the American Delegation who are not here and the other powers not represented here to rubber-stamp something already substantially finished. At the same time he agrees that we and the Americans should reach as high a degree of agreement behind the scenes as to which of the alternatives we are ready to drop and which we agree in pressing. Thus to the largest extent possible White and I will have an agreed text, but on the surface a good many matters may be presented in alternative versions. How this will work out remains to be seen. Nevertheless taking the document clause by clause in a single committee, even though it consists of about 60 persons in a room where those at the back can hear nothing is much better than the previous practice of conducting everything first of all in four unrepresentative sub-committees which then bring their half-baked results to the full body, so that everything was done twice and half-baked conclusions reached the main committee with the real merits already prejudiced.

I greatly hope that the Chancellor has been making good progress with the Bank at the hands of his colleagues. I dare say we shall have heard the results of this before you get this letter. We prepared on the boat a complete revise on the lines of the provisional directive with which we have been furnished and were pretty well pleased with the result. This we discussed fully with the European Allies, who were clearly enthusiastic. Yesterday I expounded the substance of it to the Americans, who are now looking into it with more detail. The first reaction of White himself, Pasvolsky, the Federal Reserve Board people, and the others present was as fully as favourable as we could have any reason to expect. My present impression is that if we have authority on the lines proposed, the Americans will agree. It would therefore be rather a disaster, though I daresay there is no real risk of it occurring, of our having to draw back.

/We

by Mr. Winant. What I
must in no sense be taken as the reply of
H.M.G. to this invitation.

Mr. Penrose said that he had quite understood this. Indeed he had not reported our conversation. He had long realised that our difficulty in resuming Article VII talks was on the Ministerial level and he did not hope to make any progress through his own

We have discussed the changes we want to make in the Fund with the Dominion representatives. Rasminsky thinks that the Catto exchange clause will be difficult or impossible for the Americans in its present form. I am having a preliminary talk with White about this later today and will probably add a postscript to this letter.* I think this is the only matter likely to lead to real difficulty, though there are indications that the Americans, so far from wanting to make the duration of the transition period less definite, will make a proposal that it should be more definite. I doubt however if this will be pressed on their side. The worst that could happen is that it would be more difficult for us to get the still further loosening which we are aiming at.

On the general politics of the position, White seems pretty confident. All the Americans here seem to be quite confident that the President is going to be re-elected. But, of course, they all come from that camp. I have not been here long enough to form any opinion based on reactions from wider circules. It is, however, clear, merely from reading the Press, that the Republican attack is at present a very shapeless and feeble affair. Obviously they cannot decide what is the best issue to take their stand on, with the result that there is more bark than bite, and after barking they seem scared about actually biting any particular portion of the President's body. One would suppose that one ø could hardly expect to win an election of this kind by such methods.

As regards the particular reaction of politics on our own business, the New York Times is conducting a regular campaign against the Monetary Plan, the character of which you will easily see if you glance at the cuttings I am sending Waley. These are not really worth looking at. An effort is being made to get a plank of the Republican platform opposing international collaboration on the Monetary Plan. White expresses himself as not too much concerned at this. Indeed he thinks it might lead to the Democratic party taking a much more definite stand in favour. The staging of the vast monkey-house at Bretton Woods is, of course, in order that the President can say that 44 nations have agreed on the Fund and the Bank and he challenges the Republicans or anyone else to reject such an approach. I should say that this tactic

/is

* No time to add this; it will have to follow tomorrow.

ø I am told by those outside the Administration camp that if the campaign in France goes well between now and November, FDR will be re-elected; if not, not.

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FO 37
37051
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Waparst)

is very likely to be successful. While it is likely, I should think, that the results of our deliberations will not be taken to Congress before the election, White told me he had not entirely given up the idea of earlier action.

Meanwhile, as you will have seen from the cutting which gives the President's letter to Morgenthau appointing the American delegation, he is as clear and decided as the Chancellor that the proceedings at Bretton Woods are without commitment and that the full future rights of Congress are preserved.

Pasvolsky provided us yesterday with a copy of the telegram which the State Department have sent to Winant inviting this party to go to Washington after Bretton Woods to resume in an informal way the Article VII conversations on commercial policy and commodities. Eady and I doubt whether there is any useful information on this which we can send you from this side. You will probably find it difficult to return a direct negative. The degree of affirmativeness will, I suppose, depend on whether the Chancellor has been able to make any progress in breaking the deadlock on commercial policy. If he has, an attempt might, I suppose, be made, not perhaps to make definite progress, but to exchange ideas and second thoughts so as to prepare the ground for the next stage. In this case I daresay you will want to add Liesching to our party at that stage. I think it is clear that the Americans are not thinking of anything formal or definitive, certainly not of anything public. They accept the position that the next stage should be in London. The idea is, I understand, that the State Department would send Dean Acheson, Pasvolsky and Harry Hawkins to London later in the year to resume serious conversations if the prospects look in the slightest degree promising. The suggested conversations in Washington at the end of July would have no further ambition than to exchange information concerning the lines on which the two parties have been thinking since the last conversations.

This is far too long a letter. Whether our communications arrangements are good enough for it to reach you in time remains to be seen. But as we are not proposing to send much in the way of telegrams at the present stage, I thought there would be no harm in giving you this background. Perhaps the most striking feature of the position so far is one which I have not mentioned. Harry White is wreathed in smiles and amiability, hospitable, benevolent and complacent. I doubt if Sigi would recognise him. He also seems extremely fit and happy, and inclined to agree with almost anything which is said to him. Heaven grant that it continues but it seems too much to hope for. I am

/sending

ending Waley a spare copy of this letter. I am attaching to it, although copies will also be going through the usual office routine, the four substantial papers which emerged from our work on the voyage, namely, the report on our proposals about the Fund with its annex, and the report on our proposals about the Bank with a second paper incorporating these proposals in the American text.

Yours ever,

(Sgd) MAYNARD KEYNES

Sir Richard V.N. Hopkins, G.C.B.

Wri

would shortly be possible to give the Americans some reaction to their suggestion to you through United States Embassy London that the members of the Monetary Conference delegation who had been concerned with June talks should have a few "stock-taking" talks with American officials concerned before returning to United Kingdom. State Department are clearly concerned that they have had no reaction at all to their suggestion, Hickerson emphasised again that the idea of such conversations would be simply and solely to take stock and not to embark on anything new.

[OTP]

REGISTRY

light of paragraph 2 it would be wise that

Minister of State.

I have given the attached aft. minute to Sir D. Waley. He is doubtful whether we should refer to the Stage II talks, & thinks it would be better to leave it for us to give any necessary explanations.

He is therefore sending the aft. down to the Chancellor suggesting the omission of the ref. to Stage II.

J.K. Caulcott
8/7

~~[Sir A. Overton now tells me it is the~~

~~3 aft. dept. view~~

Nothing to be Written on this Minute

would shortly be possible to give the Americans some reaction to their suggestion to you through United States Embassy London that the members of the Monetary Conference delegation who had been concerned with June talks should have a few "stock-taking" talks with American officials concerned before returning to United Kingdom. State Department are clearly concerned that they have had no reaction at all to their suggestion, Hickerson emphasised again that the idea of such conversations would be simply and solely to take stock and not to embark on anything new.

[OTP]

T.S. REGISTRY

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143/3/53

AMENDED DISTRIBUTION. 9.7.44.

SPECIAL (TREASURY)

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE.

Sir R.I.Campbell.
No. 5672.
7th July, 1944.

D. 12.47.a.m. 8th July, 1944.
R. 10.35.a.m. 8th July, 1944.

6 6 6 6 6

IMPORTANT.

Hickerson of State Department asked a member of my staff on July 6th whether it would shortly be possible to give the Americans some reaction to their suggestion to you through United States Embassy London that the members of the Monetary Conference delegation who had been concerned with June talks should have a few "stock-taking" talks with American officials concerned before returning to United Kingdom. State Department are clearly concerned that they have had no reaction at all to their suggestion, Hickerson emphasised again that the idea of such conversations would be simply and solely to take stock and not to embark on anything new.

[OTP]

F.O. REGISTRY

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Treas. Ref. .....

Dear Coulson,

If you agree please despatch.

J.M.C. Rowntree

Draft telegram to

H.M. .....

BRETTON WOODS

No. 70 CAMER

Date 17th July, 1944.

* CYPHER ~~CODE EN CLAIR~~

Repeat to .....

No. ..... CAMER

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DISTRIBUTION

Special (Treasury)

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* Delete where necessary

OUT FILE

For Cypher Room use only

DATE 17/7

Despatch 4.45 pm

MOST IMMEDIATE

From Hopkins for Keynes. Personal.

In your letter to me of 25th June you referred to telegram from State Department to Winant inviting Delegation to go to Washington after Bretton Woods to resume in an informal way the Article 7 conversations. In my reply of 5th July I said that Mr. Winant had not raised the matter, but I now learn that Winant did raise it with Secretary of State.

2. The matter will be discussed by Ministers this week, probably tomorrow. Meanwhile Chancellor thinks that you may assume that decision will be that you and Eady should not (repeat not) deal with this matter and that it will be handled otherwise.

3. Robbins has authority to go to Washington for talks on commodities. It will be for consideration whether, in the light of paragraph 2 it would be wise that

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he should not proceed until he hears from us again.

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[CYPHER]

SPECIAL (TREASURY).

FROM FOREIGN OFFICE TO BRETTON WOODS
BRITISH DELEGATION (MONETARY CONFERENCE).

No. 70 CAMER. D. 4.45 p.m. 17th July, 1944.
17th July, 1944.

3 3 3

MOST IMMEDIATE.

From Hopkins for Keynes. Personal.

In your letter to me of 25th June you referred to telegram from State Department to Winant inviting Delegation to go to Washington after Bretton Woods to resume in an informal way the Article 7 conversations. In my reply of 5th July I said that Mr. Winant had not raised the matter, but I now learn that Winant did raise it with Secretary of State.

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(OTP)

British Delegation
Bretton Woods

DRAFT TELEGRAM TO BRETTON WOODS
BRITISH DELEGATION (MONETARY CONFERENCE)

OUT FILE

Date 19.7.44

Despatched 9.55 p.m.

IMMEDIATE

CYPHER

From Hopkins for Keynes.

AMER NO. 76.

19/7/44.

My telegram No. 70.

Distribution:

SPECIAL (TREASURY)

Decision now taken is as anticipated in paragraph 2 of my telegram. Foreign Secretary will send a telegram to Minister of State which will be repeated to you for your information.

2. What precisely are the talks on commodities in Washington in which Robbins and Robertson might take part? If they relate to general question of resuming Article VII talks, this will now be dealt with by Mr. Law. If however there are specific matters relating to commodity plans on which progress can be made by informal talks in Washington and you and Eady judge that it would be

useful for Robbins and Robertson to have such talks, the Chancellor sees no objection to their visiting Washington for the purpose of such talks.

JTh
19/7

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Indeed he had not reported
He had long realised that
in resuming Article VII talks
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~~DRAFT TELEGRAM TO BRETTON WOODS~~
~~BRITISH DELEGATION (MONETARY CONFERENCE)~~

IPHER

IMMEDIATE

ER NO. 76.

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ECIAL (TREASURY)

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the Chancellor sees no objection to their visiting
Washington for the purpose of such talks.

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OUT FILE

SPECIAL (TREASURY)

[CYPHER]

FROM FOREIGN OFFICE TO BRETTON WOODS BRITISH DELEGATION

(MONETARY CONFERENCE)

D. 9.55.p.m. 19th July, 1944.

No. 76. CAMER.
19th July, 1944.

66666

IMMEDIATE.

Following from Hopkins for Keynes.

My telegram No. 70.

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[OTP]

INDEXED

Treasury Chambers,
Great George Street,
S.W.1.

19th July, 1944.

UE143 143/53

Dear Coulson,

I attach draft telegram to Bretton Woods which I should be glad if you would despatch, if you see no objection.

Yours sincerely,

J.A.C. Robertson

J.E. Coulson, Esq.,

EN ON THIS

1944

UE

ECONOMIC.

UE 241

14 JUL 1944

Registry Number UE 241/243/53

FROM Mr. Rowan, Prime Ministers Dept.

No. to Mr. Lawford.

Dated 11th July, 1944.

Received in Registry 14th July, 1944.

UE: Economic

Proposed resumption of Article VII Talks.

Attaches copy of minute from the Chancellor of the Exchequer to the Prime Minister concerning the invitation from State Department to the delegation taking part in the Monetary Conference to go to Washington to resume the Article VII talks on commercial and commodity policy.

Last Paper.

(UE 143/13/53)

References.

(Minutes.)

On the receipt of the P.M.'s reply Mr Stopford discussed with the Chancellor, who will take the matter up in the Cabinet. A tel. has been sent to Mr. Law — see UE 241.

JH
14/7

(Print.)

(How disposed of.)

Tel Wtn 6352 - July 14
to Mr Padmore
Lind Wally 84
July 16

(Action completed.)

BB 20/7

(Index.)

M. H. 26/2/45

Next Paper.

UE 269

27437 F.O.P.

10, Downing Street,
Whitehall.

July 11, 1944

SECRET & IMMEDIATE

UE 241

My dear Lawford,

I attach a copy of a minute from the Chancellor to the Prime Minister which I mentioned to you on the telephone. Perhaps the Foreign Secretary is fully informed of this matter and agrees with the Chancellor's proposals, but the Prime Minister wished me definitely to ascertain Mr. Eden's views. The matter is, I understand, of some urgency from your point of view.

Yours very sincerely,

P. L. Rowan

V.G. Lawford, Esq.,
Foreign Office.

them the best way of preparing the groun

COPY

PRIME MINISTER

The State Department have, through Mr. Winant, invited our Delegation at present taking part in the Monetary Conference to go to Washington after the Conference and resume in an informal way the Article VII conversations on commercial policy and commodity policy.

It is difficult to refuse this invitation altogether. We are bound under Article VII to hold conversations and we cannot postpone their resumption indefinitely. A refusal at the present moment would be even more difficult when the Minister of State, who led the British Delegation for the last Article VII talks, is about to leave for Washington. The Americans do not seem to be thinking of anything formal at the moment and we understand they think the next stage of the talks should take place in London.

I therefore suggest that we should reply by telling them that the Minister of State will be very glad to discuss with them the best way of preparing the ground for the next stage of the talks. On his arrival in Washington, he would give an account of the reasons which make it difficult for us enter into further detailed discussions at the moment shall, however, be glad to welcome a United States in London for a further stage in the talks later i say October.

I have discussed this with the Minister of St President of the Board of Trade who are in agreem

(Sgd) J.A.

10th July, 1944

15 JUL 1914

Registry
No.

OUT FILE
Despatched 14/7. M.

6.50pm.

Immediate.

Draft.
H.M. Ch. d'Aff
Washington

Telegram.
No. 6352.
Cypher July 14.

Following for Ministe of State from Hall-Patch.
Personal & Secret.

Dept No. 1

Prime Minister has not endorsed Chancellor of the Exchequer's suggestion, ~~that~~ as agreed with you, that you should take up with State Dept. resumption of Article 7 TALKS talks. Matter is being further examined ~~discussed~~ but you are not at present authorised to discuss the question.

Copy to
Mr. Palmer }
Sir D. Waley }

[Mr. Palmer
Mr. Hall-Patch con.]

JE

NOTHING TO BE WRITTEN IN THIS MARGIN.

UE
15 JUL 1944

OUT FILE

[CYPHER]

DEPARTMENTAL NO. 1

FROM FOREIGN OFFICE TO WASHINGTON

No. 6352

D. 6.50 p.m. 14th July 1944

14th July 1944

ø ø ø

IMMEDIATE

Following for Minister of State from Hall-Patch.

PERSONAL AND SECRET

Prime Minister has not endorsed Chancellor of the Exchequer's suggestion, as agreed with you, that you should take up with State Department resumption of Article 7 talks. Matter is being further considered but you are not at present authorised to discuss the question.

O.T.P.

NOTHING TO BE WRITTEN IN THIS MARGIN.

UE

1944 ECONOMIC.

UE 269

15 JUL 1944

Registry Number UE 269/243/53

FROM Mr. Padmore, Treasury, to Mr. Coulson

No.

Dated 14th July, 1944.

Received in Registry 15th July, 1944.

UE: Economic.

Proposed resumption of Article VII talks

Encloses copy of minute to the Prime Minister from the Chancellor of the Exchequer who would like to speak to the Foreign Secretary on the matter.

Last Paper.

UE 241

References.

(Print.)

(How disposed of.)

(Minutes.)

See minutes within.

16/7

(Action completed.)

18/7 20/7

(Index.)

M.H. 26/2/45

Next Paper.

UE 291.

27437 F.O.P.

NOTHING TO BE WRITTEN IN THIS MARGIN.

Minutes.

Evelin Sow P 14/7
P.O.

I understand that the Prime Minister has replied to the Chancellor's minute (copy attached) to the effect that:

(a) Mr. Law should not discuss Article VII, as suggested, with the State Department.

(b) Before any promise to renew Article VII discussions is made, the matter should go before the Cabinet.

The arguments in favour of replying to the State Department as suggested in the Chancellor's minute are briefly

(i) We are committed in Article VII to hold discussions, and we cannot therefore put the Americans off indefinitely.

(ii) We know that the State Department are very anxious to get on with the talks (see Washington telegram No. 3672).

(iii) The proposals on commercial and commodity policy on which the Americans wish to resume discussions were in fact put up by ourselves and we shall look foolish if we now hold back without explanations.

(iv) We agree with the views expressed by our Embassy in Washington (Mr. Neville Butler concurs) that it is most undesirable to give the impression that we are stalling because of the forthcoming elections.

From every Foreign Office angle therefore it is most desirable that we should say something to the Americans now and hold out hope of resuming the conversations. By so doing we do not of course prejudice the policy which we shall put forward when the negotiations are resumed.

J.E. Coulson

14th July, 1944.

The Sec. Spoke to the Chancellor about this today. The Chancellor has sent a reply, in which he Sec. concurred, to the P.M's minute. He does not want to bring

U 1269

TREASURY CHAMBERS,
15 JUL 1944
S.W.1.

14th July, 1944.

Dear Coulson,

Here is the copy of the Chancellor's minute to the Prime Minister; I sent a copy to the Minister of State at the time.

As I told you, the Chancellor would like to speak to the Foreign Secretary about the answer which he has received from the Prime Minister when they meet this afternoon. No doubt you will warn your Secretary of State.

Yours sincerely,

T. Padmore.

J. Coulson Esq.,
Foreign Office.

THIS MARGIN TO BE WRITTEN IN

PRIME MINISTER

The State Department have, through Mr. Winant, invited our Delegation at present taking part in the Monetary Conference to go to Washington after the Conference and resume in an informal way the Article VII conversations on commercial policy and commodity policy.

It is difficult to refuse this invitation altogether. We are bound under Article VII to hold conversations and we cannot postpone their resumption indefinitely. A refusal at the present moment would be even more difficult when the Minister of State, who led the British Delegation for the last Article VII talks, is about to leave for Washington. The Americans do not seem to be thinking of anything formal at the moment and we understand they think the next stage of the talks should take place in London.

I therefore suggest that we should reply by telling them that the Minister of State will be very glad to discuss with them the best way of preparing the ground for the next stage of the talks. On his arrival in Washington, he would give an account of the reasons which make it difficult for us to enter into further detailed discussions at the moment. We shall, however, be glad to welcome a United States Delegation in London for a further stage in the talks later in the year, say October.

I have discussed this with the Minister of State and the President of the Board of Trade who are in agreement with me.

(Intld) J.A.

10th July, 1944

Copies to the Rt.Hon. Richard Law and
the Rt.Hon. Hugh Dalton.

NOTHING TO BE WRITTEN ...

1944

UE

ECONOMIC.

UE 291

17 JUL 1944

Registry Number UE 291/143/53.

TELEGRAM FROM
Sir R. Campbell,
Washington.
No. 3850.

Dated 16th July, 1944.
Received in Registry 17th July, 1944.

UE: Economic.

Disapproval in United States over United Kingdom attitude to Article VII.

Message for Chancellor of Exchequer and President of Board of Trade from Mr. Law. Hopes to discuss question of Export White Paper with Mr. Hull. Stresses the unfavourable impression created in United States over United Kingdom attitude to Article VII, owing to refusal to discuss these matters and explain difficulties. Asks if he may have authority to act as seems most suitable.

Last Paper.

UE 269

References.

(Print.)

(How disposed of.)

7) Chanc of Exchq, Sc/Spec Pres of B of T Sc/Sheet July 17
8) Mins Bell. 26 (Sm) July 20
9) Mr Law, Washington Mr Hull Parker July 19
Tel Wash Blue - 17 July
—·— 6629 - 19 July
—·— 6643 - 17 July

(Action completed.) 21/7

(Index.) M.H. 26/2/45

Next Paper.

UE 399

(Minutes.)

Copied to the Chancellor & the Pres. of the B.of T.

Mr. Law points out that the failure to give an explanation of our reasons for not resuming the Article 7 talks with prejudice (a) securing Mr. Hull's help in the negotiations for the supersession of the Export policy Lend-Lease White Paper.

(b) the talks on our requirements in Stage II of the war, which it has been suggested that the Chancellor should undertake in August.

As a result of the Chancellor's minute to the P.M. (see UE 269), I understand the Chancellor will raise the matter in Cabinet. This telegram provides further ammunition and it might be useful if the S. of S. saw it before the Cabinet.

NB. 17/7.

J.E. Coulson 17/7

North America Dept. 17/7
R. Hall-Patch Sq Ldr. 17/7
Private Secretary.

I don't understand nature of this American grievance. R. Stettinius said to me that there several times was no hurry about Article 7. NB

27692 F.O.P

Winant

has not, so far as I can remember, / ~~da~~ mentioned Article 7 to me in recent weeks and months, nor Lord Halifax either. We have an Embassy in Wn Ton and it is strange, and even disquieting, that they should not have reported this state of affairs if it is really so evident that the Minister of State is deeply disturbed by it, almost at the moment of landing. Or perhaps it is that Ministers of State is so easily disturbed by sounds that don't affect his more hardened ear. I should like a fuller view before Cabinet discussion tomorrow.

See separate minute now within. JTe

HB July 17

The Cabinet considered this yesterday – see minutes :- UE. 462/462/6.

To be sent for despatch letter to M. Law.

JTe
19/7

Please see
in UE 291/143/5

Mr. Stett
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Please see the Secretary of State's minute of July 17th in UE 291/143/53.

Mr. Stettinius' attitude in conversation with the Secretary of State was also confirmed by his conversation with the Minister of State (see flag A in U 3795). Although he expressed the hope that we should be able to make better progress with the Article 7 talks, he did not put the priority of this high and thought we ought first to deal with other more urgent matters, such as the approaching end of Lend Lease. It is, of course, true that Mr. Stettinius (partly through his previous connexion with Lend Lease) has always been more concerned with the more immediate future and has not been closely identified with the Article 7 talks. His attitude may not, therefore, necessarily reflect that of Mr. Hull. ~~At the same time it must be said that~~ Apart from a general statement in Lord Halifax's Tel. No. 2794 (para. 8 Flag D) that the Americans were still pressing us under Article 7, we have not, ~~until~~ recently, had any reports from Washington suggesting any strong pressure to resume the talks. The first we have heard of this in recent months was the despatch of a telegram by the State Department instructing Mr. Winant to suggest that our delegation at Bretton Woods should resume the conversations in an informal way at Washington after the Monetary Conference was over. Mr. Winant showed this telegram to the Minister of State and, it was thought, also to the Secretary of State (see Mr. Law's minute of July 7th at flag ~~B~~/C The absence of a reply to this approach evidently caused some concern in the State Department and this was reported in Washington telegram No. 3672 (flag ~~C~~). B

Flag C

It is thus clear that there has been no strong pressure on this matter from the State Department in recent months. At the same time we must reply in some way to their invitation. We are under a definite obligation to have these talks with the U.S. Government and it would seem that the minimum we can do is to give an explanation of why we are not ready to resume them yet. Whether we should go further andhold out hope of their resumption on some future, but not too definite date, is open to question. It must depend in some degree

on/

support of Mr. Hull, which I [grp. undec. ? regard] as [Grp. undec. ? It is] going to make the Chancellor's talks later on almost impossibly difficult. If I were empowered to act as was suggested before I left London I believe that the whole sting would be removed and that our position would in no way be

on the pressure which the State Department exert when they hear we are not prepared to resume the talks for some time. There would seem to be advantage in giving the Minister of State discretion to make this offer if pressure is applied by Mr. Hull. If the Cabinet are not prepared to go so far, Mr. Law might merely be instructed to report the result of his talks in the first place.

J.C. Coulson

FOREIGN OFFICE.

18th July, 1944.

North American Department,
Mr. Hall-Patch.

The Secretary of State's minute enquires as to the nature of the American grievance. It is, I think, explained in the marked passages of Mr. Law's telegram and Mr. Coulson's minute.

Both on the material ~~subject~~ side of the war effort and now as regards the economic and financial future, we are asking the Americans to treat us as partners (pooling of resources, non-interest bearing loans, etc.); and if we treat them as partners and tell them with candour what our difficulties are, all goes pretty well. What wrecks the atmosphere and our own chances of getting satisfactory solutions is lack of candour. In the first place, our friends in the Administration are disarmed vis-à-vis the Opposition in Congress if we do not put them in a position

to/

Tel sent for despatch

JC 19/7

to explain our reasons for our policies and our hesitations, and secondly, they suspect that we are deliberately sitting back in the hope of getting a better deal out of their political opponents next year.

I do not believe that the Americans want to force us to conclusions as regards Imperial Preference, or themselves as regards Tariffs before the Elections, but Mr. Hull's recent speeches have made it very clear that he regards a degree of agreement on economic policies as an indispensable adjunct of the political World Organisation that he is persuading the Congressional leaders to accept.

I therefore agree with Mr. Coulson that it is desirable to authorise the Minister of State to explain our difficulties and grounds of our refusal to resume conversations, or, if possible, to authorise him to make an offer to resume them if pressure is applied.

18th July, 1944.

18/7/44

it is obviously going to be a ... support of Mr. Hull, which I [grp. undec. ? regard] as essential. [Grp. undec. ? It is] going to make the Chancellor's talks later on almost impossibly difficult. If I were empowered to act as we suggested before I left London I believe that the whole sting

UE 1291
17 JUL 1944

DEPARTMENTAL NO.2.

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE.

Sir R.I. Campbell.
No. 3850.
16th July, 1944.

D. 7.37 p.m. 16th July, 1944.
R. 3.15 a.m. 17th July, 1944.

zzz zzz zzz

IMMEDIATE.

Following for Chancellor of the Exchequer, Foreign Secretary and President of the Board of Trade from Law.

1. If I am to make any impression on Export White Paper I can get some way with Stettinius but I do not think by himself he will carry sufficient weight. Somehow or other I must get Mr. Hull into [5 grps. undecypherable] hope to discuss this question with Mr. Hull without any reference to matters which are dear to his heart. I am certain therefore to be tackled about Article 7. I think it seems fairly certain even if I do not discuss with him the question of exports since I would clearly have to see him in any case. I cannot disguise from you extremely unfavourable impression which has been created here by our attitude over Article 7. It is a good deal worse than I anticipated. It is not a question of their feeling aggravated because we have not undertaken to renounce Imperial preference or to throw British agriculture to neutral wolves. They understand the importance of these resources to us and can be made to understand it even more clearly. What has caused resentment, a resentment which may reflect disastrously upon the Stage 2 discussions, is the fact that we have not only refused to discuss these matters with them but have not even had the courtesy to explain our difficulties and grounds of our refusal. Unless this atmosphere is dissipated it is obviously going to be a waste of time for me to enlist the support of Mr. Hull, which I [grp. undec. ? regard] as essential. [Grp. undec. ? It is] going to make the Chancellor's talks later on almost impossibly difficult. If I were empowered to act as was suggested before I left London I believe that the whole sting would be removed and that our position would in no way be prejudiced. I understand that authority has not yet been obtained for me to act as suggested.

[Grp. undec. ? I can give you my assurance that nothing would be said by me to prejudice our position on any of these controversial issues. My only purpose would be to clear away this miasma of ill feeling which is growing up in quarters most friendly to us and on which we must rely if we are to get out of our difficulties.

I shall be telegraphing separately on the question of my approach to Stettinius on White Paper upon which I have had some discussions with the delegation at Bretton Woods.

C.T.P.

UE 291/143/53. OUT FILE

FOREIGN OFFICE, S.W.1.

19th July, 1944.

Copy taken.

We have to-day sent you a telegram giving the Cabinet decision about the resumption of Article 7 talks, which I hope you will find satisfactory.

You will also be interested to know that the Prime Minister undertook to set up a small Cabinet Committee of four or five Ministers to re-examine the Commercial Policy Scheme, with particular regard to the position of agriculture, and the provisions for bulk purchase thereunder. I hope this means that, if the talks are in fact resumed in the Autumn, our Delegation will have proper Ministerial guidance.

(Signed) E.L. Hall Patch.

The Rt.Hon.R.K. Law, M.P.,
C/o The Embassy,
Washington.

NOTHING TO BE WRITTEN IN THIS MARGIN.

Registry
No.

M.W.V.M.

Draft. telegram
H.M. Ambassador
Washington.

Tel No 6444
CYPHER July 17th

[please fill in necessary details. I am not quite sure of their position]

Draft. No. 2.

OUT FILE.

Most Immediate

A.

Date 17.7.44

Despatched 11-10 hrs

Your telegram No. 3850

Following for Mr Law.

Intention is that Cabinet shall consider matter tomorrow. We will telegraph what transpires.

[Initialled A.C]

P.D
17.VII.44

OUT FILE

DEPARTMENTAL NO. 2.

[CYPHER]

FROM FOREIGN OFFICE TO WASHINGTON

No. 6444
17th July 1944

D. 11.10 p.m. 17th July 1944

I I I I I

MOST IMMEDIATE

Your telegram No. 3850.

Following for Mr. Law.

Intention is that Cabinet shall consider matter tomorrow. We will telegraph what transpires.

OTP.

NOTHING

M. Hall-Patch]

difficulties should be actively canvassed at a time like the present when great battles which may be the climax of the war are being fought. Moreover, the time of Ministers is at the moment wholely taken up with other matters. H.M.G. are not, therefore, in a position to resume discussions at the present time, but ~~shall~~ will be ready to do so in the Autumn when

a/

NOTHING TO BE WRITTEN IN THIS MARGIN.

Registry No. UE 291/143/53.

J.E.C.

Draft.

H.M. Chargé d'Affaires, Washington.

Telegram.

No...6479 19/7/44

Cypher.

Special Treasury Distribution.

[M. Preston
Sir D. Waley } concurs
M. Hall-Patch]

OUT FILE

FOREIGN OFFICE, S.W.1.

Despatched 5-45 p.m. 19 July 1944.

MOST IMMEDIATE.

Your telegram No.3850 of July 16th: Resumption of Article 7 Talks. Following for Mr. Law.

1. Cabinet have now considered and you are authorised to make a communication to the U.S. Government on the following lines.

2. You should explain that the issues involved in Article 7 talks raise considerable political difficulties for us. H.M.G. feel it very undesirable that matters involving serious political difficulties should be actively canvassed at a time like the present when great battles which may be the climax of the war are being fought. Moreover, the time of Ministers is at the moment wholely taken up with other matters. H.M.G. are not, therefore, in a position to resume discussions at the present time, but will ~~shall~~ be ready to do so in the Autumn when

a/

a delegation of three leading Ministers will be ready to discuss the matter with representatives of the U.S. Government.

3. Please copy immediate to Bretton Woods for keynes.

FE
19/7

NOTHING TO BE WRITTEN IN THIS MARGIN.

WRITTEN IN THIS MARGIN.

Registry
No: U.

Telegram

Draft. H.M.
Chargé d'Affaires
WASHINGTON

No. 6445
CYPHER. July 17th
Deptt. No. 1.

OUT FILE

MOST IMMEDIATE
SECRET

Date 17-7-44
Despatched 11-30

B.

Following personal for LAW. immediately preceding telegram & "Please see my A." [A. attached]

With reference to STIRLING's telephone conversation with President Clark, Foreign Office, gave him had No. 3850 telegram which is restricted. The already (from this end) only (from Washington) on this subject known to Foreign Office is No. 6532 (Personal & Secret) of 14th July.

P.D.
17.VII.44.

Ministers will be ready to discuss the matter with representatives of the United States Government.

3. Please copy immediate to Bretton Woods for Keynes.

OUT FILE

Green

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DEPARTMENTAL NO. 1.

[CYPHER]

FROM FOREIGN OFFICE TO WASHINGTON

D. 11.30 p.m. 17th July, 1944.

NO. 6445.
17th July, 1944.

V V V

MOST IMMEDIATE

SECRET

Following personal for Law.

Please see my immediately preceding telegram.

JE/WHS

With reference to Stirling's telephone conversation with Resident Clerk, Foreign Office, your telegram No. 3850 had already been distributed. The only telegram from this end on this subject known to Foreign Office is No. 6532 (Personal and Secret) of 14th July.

O.T.P.

In the autumn, when a delegation of three leading Ministers will be ready to discuss the matter with representatives of the United States Government.

3. Please copy immediate to Bretton Woods for Keynes.

OUT FILE

UE 291/145/53

SPECIAL (TREASURY)

[CYPHER]

FROM FOREIGN OFFICE TO WASHINGTON

No. 6479

D. 5.45 p.m. July 19th, 1944.

July 19th, 1944.

b b b b

MOST IMMEDIATE

Your telegram No. 5850 [of July 16th: Resumption of Article 7 Talks].

Following for Mr. Law.

Cabinet have now considered and you are authorised to make a communication to the United States Government on the following lines.

2. You should explain that the issues involved in Article 7 talks raise considerable political difficulties for us. His Majesty's Government feel it very undesirable that matters involving serious political difficulties should be actively canvassed at a time like the present when great battles which may be the climax of the war are being fought. Moreover, the time of Ministers is at the moment wholly taken up with other matters. His Majesty's Government are not, therefore, in a position to resume discussions at the present time, but they will be ready to do so in the autumn, when a delegation of three leading Ministers will be ready to discuss the matter with representatives of the United States Government.

3. Please copy immediate to Bretton Woods for Keynes.

1944

UE

ECONOMIC

E 399

22 JUL 1944

Registry Number } UE 399/143/53

TELEGRAM FROM
Sir R. Campbell
(Washington)
No. Tel. 3930

Dated 21st July, 1944.
Received in Registry } 22nd July, 1944.

UE: Economic

Article VII talks.

Refers to Foreign Office telegram 6479 (UE 291/143/53). Transmits personal message from Minister of State concerning conversations with Mr. Hull on the proposed Article VII talks. Mr. Hull promised to look into the matter of suspension of the Export White Paper negotiations.

Last Paper.

UE 291.

References.

UE 291

(Print.)

(How disposed of.)

(Minutes.)

After consulting the Private Secretary, I have had this tel. given Sp. Treasury Distn.

This is on the whole an encouraging talk. Mr. Hull seems fully to realise the difficulty we are in on Imperial Preference and his view that we can get a reduction of the U.S. tariff is interesting.

As regards the "mounted time table" referred to in para. 3, Mr. Law does not yet know that a Cabinet Cttee. is being formed for the purpose — see Mr. Hall-Patch's letter in UE 291.

J.E.Coulter
23/7

N.A. Dept.

Mr Hull has several good reasons for thinking that the time is favourable now, and may be less favorable later.

J.W.Hall 24/7

M Butler
23/7.

(Action completed.)
28/7

(Index)
M. H
26/2/45

Next Paper.

UE 418.

T 99/143/8

AMENDED DISTRIBUTION 23/7/44

SPECIAL (TREASURY)

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE

Sir R.I. Campbell,
No.3930
21st July 1944

D. 5.00 p.m. 21st July 1944
(via Bretton Woods)
R. 6.15 a.m. 22nd July 1944

...

...

...

IMMEDIATE

SECRET

Following from Minister of State Personal for Secretary of State.

I had a long talk with Mr. Hull July 19th when I spoke to him on the lines of your telegram No.6479. He was clearly much relieved that we had decided to continue the talks at some more or less defined date. He was obviously greatly disappointed that the date was so far ahead. He is obsessed with the idea of urgency. His general line is that the task is a tremendous one and that with every day that passes the chances of its achievement are sensibly diminished.

2. He made no comment upon the ministerial character of the next stage except to ask whether that meant that it was to be more formal so that Russia would have to come too. I said that I thought we should have to thrash out the differences between ourselves which were very serious before we brought anyone else into the picture. He said that Russia would be so much concerned with their own domestic problems for a long time to come that they would probably not be sensitive about it.

3. I think however that we will be very foolish if we leave things as they are without clewing them upon ~~[sic]~~ a bit more. Unless we gallop forward now with a mounted time-table we are very likely to be faced sometime between now and the Autumn, with a definite invitation to a formal conference with them, Russia, the Chinese and a bag of good neighbours. At any rate that is the kind of thing which is all too likely to happen unless we forestall it.

4. When I spoke of the very great differences which had to be resolved between us Mr. Hull said that our common difficulties were much more important than any differences that there might be. The common problem was how we were to persuade our respective people not to commit suicide. As for our differences they might not seem to be so very formidable when we got down to examining them. He knew we were anxious about Imperial preference but he did not think that we really understood what they were asking us to do. They were not asking us to abolish the preference but only to make adjustments and to reduce it by degrees. And we would only have to do that in return for concessions on their side. I asked him whether he thought it was really going to be possible to persuade the Americans to make substantial agreements in their tariff. He said he thought it was, provided that we seized the tide which was now favourable. It would not remain favourable indefinitely. That was why he was so anxious to make progress now.

5/....

5. After we had finished with Article 7 I spoke to him about the Export White Paper negotiations. I explained that it had been agreed that these should be suspended but that it was necessary that there should be a genuine moratorium. I was sure that the officials who were operating the existing machinery would tighten the screw unless they were otherwise instructed. Indeed it would be their duty to do so. I asked Mr. Hull whether he would not feel able to instruct them in most definite terms to lay off until we had had wider talks which were anticipated. He said he would look into it at once to see whether he could do so. ...

OTP.

Miss Wilkins (R.6)

DEPARTMENTAL NO. 1.

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE

Sir R. I. Campbell
No. 5950

D. 5.00. p.m. 21st July 1944

21st July 1944

R. 6.15. a.m. 22nd July 1944

S S S S

IMMEDIATE

SECRET

This is Washington telegram No. 5,950 transmitted from Bretton Woods.

Following from Minister of State Personal for Secretary of State.

I had a long talk with Mr. Hull July 19th when I spoke to him on the lines of your telegram. He was clearly much relieved that we had decided to continue the talks at some more or less defined date. He was obviously greatly disappointed that the date was so far ahead. He is obsessed with the idea of urgency. His general line is that the task is a tremendous one and that with every day that passes the chances of its achievement are sensibly diminished.

2. He made no comment upon the ministerial character of the next stage except to ask whether that meant that it was to be more formal so that Russia would have to come too. I said that I thought we should have to thrash out the differences between ourselves which were very serious before we brought anyone else into the picture. He said that Russia would be so much concerned with their own domestic problems for a long time to come that they would probably not be sensitive about it.

3. I think however that we will be very foolish if we leave things as they are without clewing them upon [sic] a bit more. Unless we gallop forward now with a mounted time-table we are very likely to be faced, sometime between now and the Autumn, with a definite invitation to a formal conference with them, Russia the Chinese and a bag of good neighbours. At any rate that is the kind of thing which is all too likely to happen unless we forestall it.

4. When I spoke of the very great differences which had to be resolved between us, Mr. Hull said that our common difficulties were much more important than any

/ differences ....

differences that there might be. The common problem was how we were to persuade our respective people not to commit suicide. As for our differences they might not seem to be so very formidable when we got down to examining them. He knew we were anxious about Imperial preference but he did not think that we really understood what they were asking us to do. They were not asking us to abolish the preference but only to make adjustments and to reduce it by degrees. And we would only have to do that in return for concessions on their side. I asked him whether he thought it was really going to be possible to persuade the Americans to make substantial agreements in their tariff. He said he thought it was, provided that we seized the tide which was now favourable. It would not remain favourable indefinitely. That was why he was so anxious to make progress now.

5. After we had finished with Article 7 I spoke to him about the Export White Paper negotiations. I explained that it had been agreed that these should be suspended but that it was necessary that there should be a genuine moratorium. I was sure that the officials who were operating the existing machinery would tighten the screw unless they were otherwise instructed. Indeed it would be their duty to do so. I asked Mr. Hull whether he would not feel able to instruct them in most definite terms to lay off until we had had wider talks which were anticipated. He said he would look into it at once to see whether he could do so.

O.T.P.

DEPARTMENTAL NO. 1.

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE

Sir R. I. Campbell
No. 5930

D. 5.00. p.m. 21st July 1944

21st July 1944

R. 6.15. a.m. 22nd July 1944

8 8 8 8

WE 1399
22 JUL 1944

IMMEDIATE

SECRET

This is Washington telegram No. 3,930 transmitted from Bretton Woods.

Following from Minister of State Personal for Secretary of State.

I had a long talk with Mr. Hull July 19th when I spoke to him on the lines of your telegram. He was clearly much relieved that we had decided to continue the talks at some more or less defined date. He was obviously greatly disappointed that the date was so far ahead. He is obsessed with the idea of urgency. His general line is that the task is a tremendous one and that with every day that passes the chances of its achievement are sensibly diminished.

2. He made no comment upon the ministerial character of the next stage except to ask whether that meant that it was to be more formal so that Russia would have to come too. I said that I thought we should have to thrash out the differences between ourselves which were very serious before we brought anyone else into the picture. He said that Russia would be so much concerned with their own domestic problems for a long time to come that they would probably not be sensitive about it.

3. I think however that we will be very foolish if we leave things as they are without clewing them upon [sic] a bit more. Unless we gallop forward now with a mounted time-table we are very likely to be faced, sometime between now and the Autumn, with a definite invitation to a formal conference with them, Russia the Chinese and a bag of good neighbours. At any rate that is the kind of thing which is all too likely to happen unless we forestall it.

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/ differences ....

differences that there might be. The common problem was how we were to persuade our respective people not to commit suicide. As for our differences they might not seem to be so very formidable when we got down to examining them. He knew we were anxious about Imperial preference but he did not think that we really understood what they were asking us to do. They were not asking us to abolish the preference but only to make adjustments and to reduce it by degrees. And we would only have to do that in return for concessions on their side. I asked him whether he thought it was really going to be possible to persuade the Americans to make substantial agreements in their tariff. He said he thought it was, provided that we seized the tide which was now favourable. It would not remain favourable indefinitely. That was why he was so anxious to make progress now.

5. After we had finished with Article 7 I spoke to him about the Export White Paper negotiations. I explained that it had been agreed that these should be suspended but that it was necessary that there should be a genuine moratorium. I was sure that the officials who were operating the existing machinery would tighten the screw unless they were otherwise instructed. Indeed it would be their duty to do so. I asked Mr. Hull whether he would not feel able to instruct them in most definite terms to lay off until we had had wider talks which were anticipated. He said he would look into it at once to see whether he could do so.

O.T.P.

1944

UE

ECONOMIC.

UE 404

23 JUL 1944

Registry Number } UE 404/143/53

TELEGRAM FROM
Bretton Woods

No. Tel: 110 Remac.

Dated 21st July, 1944.
Received in Registry } 23rd July, 1944.

UE: Economic

Discussion on commodities after conclusion of Monetary Conference.

Refers to Foreign Office telegram 76 Camer (UE 143/143/53). The talks on commodities are informal and unbiassed conversations among United Kingdom officials in Washington. There is no connexion between this project and question of resuming Article VII talks.

(Minutes.)

There is nothing on here in this.

JG
23/7

Last Paper.

UE 399

References.

UE 143

(Print.)

(How disposed of.)

Y Mr. Attlee July 23

(Action completed.) 29/8

(Index.) M.H. 24/2/45

Next Paper.

UE 417

SPECIAL (TREASURY)

404

23 JUL 1944

[CYPHER]

FROM BRETTON WOODS BRITISH DELEGATION

(MONETARY CONFERENCE) TO FOREIGN OFFICE

No. 110 REMAC.
21st July, 1944.

D. 10.50 p.m. 21st July, 1944.
R. 10.25 a.m. 22nd July, 1944.

999999999

Following from Keynes for Hopkins.

Your telegram 76. UE 143/143/53

The talks on commodities mentioned in Robbins telegram to Bridges (telegram No. 63) are purely informal and unbiassed conversations among United Kingdom officials from various missions in Washington. We think it is useful that advantage should be taken of their visit to Minister of State to ascertain the state of thought prevailing among Washington Missions on various commodity problems which are now becoming actual.

There has never been (repeat never been) any connexion between this project and the question of resuming [grp. undec. ~~? June~~] talks.

O.T.P.

Art. 7.

UE 240/3/53

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FROM
Sir Richard Miles, (Washington) to
No. Mr. Nevile Butler.

Dated 17th July, 1944
Received in Registry } 24th July, 1944

UE: Economic

World Trade and Employment

Refers to Embassy letter of April 17th (U 3490/6/70). Encloses copies of a report "World Trade and Employment" prepared by the Committee on International Economic Policy.

Last Paper.
UE 402 (U 3490)

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8) Sir W Eady Mr
Prof. Robbins NCO
Mr Clutterbuck DO
Aug 25

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BO when ready
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copy to Sir W. Eady
Pro. Robbins N.C.O.
Mr. Clutterbuck D.O.

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26/9/45

Next Paper.
UE 402/4

27437 F.O.P.

BRITISH EMBASSY,
WASHINGTON 8, D. C.

July 17th, 1944.

24 JUL 1944

BY BAG

Dear Mr. Butler,

I enclose six copies of the report entitled "World Trade and Employment" prepared by the Committee on International Economic Policy in cooperation with The Carnegie Endowment for International Peace.

You will recall Redvers Opie's letter to you dated April 17th when he forwarded two advance copies of this report and gave you his comments.

Yours sincerely,

Richard Miles.

Richard Miles.

Nevile Butler, Esq., C.M.G., C.V.O.,
Foreign Office,
London, S.W. 1.

UE 417/143/53

The Committee on International Economic Policy

in cooperation with

The Carnegie Endowment for International Peace

World Trade and Employment

Report

from

The Advisory Committee on Economics

The immediate aim of the Committee on International Economic Policy is to further the serious and competent consideration of the issues which confront all the free peoples of the world and which imply their useful cooperation in reconstructing their economy after the victory of the United Nations.

To that end the Committee will welcome the cooperation of all organizations and individuals who are interested, and will be happy to receive the comments and suggestions which it hopes that the publication of a series of papers from its Advisory Committee on Economics may call forth.

The Committee looks forward to an exchange of views and data with all other committees engaged in post-war studies.

THE COMMITTEE ON
INTERNATIONAL ECONOMIC POLICY

18 Pine Street
New York 5, N. Y.

June 28, 1944

The Advisory Committee on Economics

to

The Committee on International Economic Policy

—·—

James T. Shotwell, *Chairman*

Robert L. Gulick, *Secretary*

Robert D. Calkins

Alexander V. Dye

Calvin B. Hoover

Wesley C. Mitchell

Ralph Barton Perry

Noel Sargent

Emerson P. Schmidt

John H. Williams

This Report has been prepared by the Advisory Committee on Economics and is presented to the Committee for International Economic Policy for their consideration. The responsibility for the views and proposals put forward in the Report is that of the Advisory Committee on Economics.

SUMMARY

Employment after the war is an international problem. If adequate and productive work at decent living standards is to be available, world trade must be restored and expanded.

The slate will be clean when the war ends. An unprecedented opportunity will occur to organize a trading system which will give scope to enterprise on a basis of equal opportunity. Negotiations in pursuance of Article VII of the Mutual Aid Agreements should be directed to that end.

Agreement between the United Nations to establish once again both "national treatment" and "most-favored-nation treatment" could at the same time serve to sweep away many of the vexatious trade barriers erected during the interwar period. Such an agreement should lay down acceptable principles in regard to trade with state trading monopolies, to exchange control, to the abolition of quotas, and to the adjustment of trade barriers, including tariffs and preferential systems.

A United Nations Economic Organization to facilitate consultation and cooperation in matters of commercial policy should be created to implement the International Economic Charter so agreed upon. Given fair conditions for an expanding world trade, such an organization could act as a clearing house for national economic policies in a concerted effort to promote mutual prosperity.

World Trade and Employment

The peoples of the United Nations, when this war ends in their complete victory, will seek to obtain productive employment and to improve their standards of living. They will then face the necessity of repairing the destruction the war has wrought, by the same means that are used to change over from war to peace production. Reconversion and reconstruction will go hand in hand, nationally and internationally. They will be confronted, perhaps suddenly, with the task of clearing away the debris of war destruction. There has been a vast dislocation of international economic relations, and urgent questions will arise of international as well as of national reorganization.

Difficult and intricate as it may seem to organize prosperity out of destruction, the very magnitude of the task offers an opportunity for decisive action. To rebuild a better world requires the intelligent cooperation of the world's governments and peoples. No country can solve its own problems unless the international conditions are created in which national solutions become possible. Self-interest is the only realistic basis of international cooperation; but enlightened self-interest will make such cooperation effective.

The plan here outlined is designed to create a world of expanding trade and equal trading opportunity for all peoples. It is put forward in the conviction that all peoples who seek economic welfare rather than militarist aggression can cooperate to their mutual advantage. Governments must establish the conditions of peaceful security and cooperative consultation in which traders may be free to compete in mobilizing the economic resources of the world for the betterment of the world's peoples rather than for their destruction and enslavement.

International trade is not an end in itself. It is a means to an end. Steady employment at remunerative work yielding high living standards is the primary goal at which economic policy must aim. Men are not machines. A self-respecting and productive job, enabling a man to provide adequately for his family's needs and to contribute

his share to the well-being of the community of which he is a part, is the foundation-stone of social order.

After the war there will be millions of young men and women released from the armed services. Many more millions of workers now engaged in war industry throughout the world will seek employment in occupations designed to meet civilian needs. Active employment at decent living standards creates both a market for goods and the means of supplying that market. The organization of such employment in all countries will create the necessity and the opportunity for an expanding interchange of the goods and services which each country can best produce. A fair adjustment of trade barriers is essential to promote balanced trade development. Without such an adjustment no country can use its manpower and resources with full efficiency. Employment is more than a national problem. It is an international question, the solution for which can be found only in an expansion of world trade and economic cooperation. As peacetime production in the United States gains momentum, its demands upon the rest of the world for imports will accelerate the economic recovery of other countries. They in turn will offer expanding markets for American exports. The traffic must be two-way. Trade is a two-way street.

No country can afford to wait until the war ends before preparing to meet the difficulties which will confront it in the immediate post-war period. Some countries have begun to make such preparations. It is essential that all shall prepare to act. Adjustments of trade barriers that will give all countries equal access to the markets and to the raw materials of the world are of particular importance in plans for peaceful cooperation.

Now is the time for action, when the established patterns of costs and prices have been dissolved by the pressure of war. Since reconversion will be necessary in the formerly high-cost and highly-protected industries, it would be unwise to re-establish these industries on the same uneconomic basis. In the reconversion period they will find an opportunity to shift to more economic enterprises.

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[1] General P
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The great industrial countries, and many of the vigorous agricultural exporting countries, are now geared to outputs that can be absorbed only by a peaceful world of expanding trade and rising living standards. The industrialized areas constantly expand their consumption of raw materials and a wide variety of specialized consumer goods. The agricultural exporting countries need a steadily increasing volume of imported equipment and manufactures. "The world can now produce enough raw materials and manufactured goods to supply the people of all countries with the necessities and comforts of life."[1]

There is, however, no possibility of utilizing this productive capacity which modern science has made available, or of meeting the basic human needs of consumers the world over, unless the channels of international trade are opened, and kept open. The alternative is a world of restricted trade, and closed, or partly closed economic regions, organized primarily for defense.

The moment is at hand to sweep away the nationalistic political devices by which international trade in the recent past has been made an instrument of economic warfare. In peace, as in war, the initiative is an important element of success in any venture. Such an initiative, carefully prepared and resolutely pursued, could make trade once again a means of mutual enrichment and an instrument for enhancing the common welfare, instead of an aspect of rearmament, and a tool of aggression.

There is a universal demand that mass unemployment shall not be allowed to develop in the postwar period as it did in the depression which began in 1929. That demand is as insistent as it is widespread. Governments will not ignore it. If private enterprise flags, they may be expected to take internal measures to sustain and promote employment. Such measures can only be national in character. But they are only too apt to fail of their purpose, unless they are adjusted to the international economy.

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[1] General Resolution adopted at the Tenth Biennial Congress of the International Chamber of Commerce, Copenhagen, July 1, 1939.

To this end arrangements should be made so that it may be possible to harmonize national policies that aim at high-level employment. To succeed, there must be concerted international action, so that the exchange of goods and services between nations may be freed from excessive and extraordinary restrictions. At the same time due account must be taken of the need in emergencies to prevent an intolerable strain on the overall balance of payments of any one country. Only then can each nation participate on a reciprocal basis in the economic benefits accruing from an increase in employment and purchasing power in other countries. Such a freeing of international trade would facilitate the maintenance of high levels of production and employment. Without it, national employment policies everywhere are certain to be forced into increasingly regimented and experimental measures of State control, and to result, in the long run, in fewer opportunities for business and labor and in lower living standards for consumers.

Concerted action will be needed, if the countries which have been devastated by the war are to escape the further devastation of monetary inflation. The restoration of the productivity of these countries, as of others, depends in large measure upon access to raw materials, and to export outlets for their manufactures. Unless action is taken now, while the opportunity lasts, to fit the economies of these countries into a mutually advantageous world trading system, in the course of a very few years we shall again be faced by debt defaults, by closing markets, and by conditions which breed disorder and war.

A Plan of Action

The plan of action outlined below proposes the negotiation of a multilateral agreement to create the conditions of economic security and trading opportunity that will make possible an orderly development of international trade and investment. It proposes an Economic Charter which would define and assure the rights of traders and of investors in foreign countries.

It further proposes the creation of a United Nations Economic

Organization, as a consultative body which would be entrusted with the interpretation of the stipulations of the proposed Economic Charter.

Finally it makes proposals for an effective reduction of trade barriers. These proposals offer suggestions in regard to methods of tariff adjustment, the abandonment of quantitative restrictions, limitations on the use of exchange control as an instrument of trade regulation, and the elimination of vexatious formalities. It is proposed that agreement on appropriate methods of reducing trade barriers be made a part of the Economic Charter, the multilateral agreement establishing the international economic policy of the United Nations.

The advantage of a bold effort to sweep away much of the existing complication of restrictive and discriminatory trade regulation is obvious. Plans for new national economic policies are already well advanced in many countries. It is important that these policies shall be so framed as to free and facilitate multilateral trade. Government controls which it may be necessary to maintain for a time immediately after the close of hostilities can be limited with greater certainty and more speedily removed, if general agreement has already been reached upon the essential conditions for normal and expanding world trade.

As a result of the war the slate is cleaner than it has been for many years, or than it will be again for a long time to come, unless we take action now. Tariffs must be revised, administrative controls must be set up again, custom laws and regulations must be rewritten. An unprecedented opportunity is offered to obtain the simplification and rationalization of trading arrangements.

The complications of trade regulation grew to vast proportions in the period of intense economic nationalism that preceded the war. There is a mass of detailed reorganization to be undertaken. This will call for concerted and comprehensive action on a world-wide scale. The most promising means of taking such action with the necessary dispatch is by multilateral agreement.

There are, fortunately, procedures by which multilateral agreement can be reached. These consist in first securing agreement by the principal countries to negotiations in pursuance of Article VII of the Mutual Aid Agreements. If a nucleus of agreement can be secured there, the possibility of widening the circle of agreement would be assured.

It is proposed that a multilateral agreement to establish the principles under which an expanding international trade can prosper after the war shall be prepared for discussion in pursuance of the conversations for which provision is made by Article VII of the Mutual Aid Agreements.[1]

The first purpose of the proposed agreement would be to establish an international framework within which traders and investors in all countries can develop their legitimate economic activities. In this respect the multilateral agreement would constitute an International Economic Charter for a system of expanding world trade.

In the period of aggressive economic nationalism which preceded the outbreak of this war, many longstanding Treaties of Commerce and Navigation had been replaced by short-term agreements. The result was that national governments obtained discretionary powers

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[1] "Article VII. In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of worldwide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom."

"At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments."

over the status of alien traders. Where dictatorial governments had made the administration of law a matter of arbitrary interpretation, the alien trader, in practice, found that he had lost whatever rights he may have thought remained to him under international as well as municipal law.

What is now proposed is a single international agreement which shall incorporate the pertinent provisions of the bilateral Treaties of Commerce and Navigation, and such additional provisions as may be necessary to provide for certain aspects of commercial policy which are of more recent origin. Such an instrument of agreed commercial policy would assure an equality of trading opportunity and freedom from discrimination.

As trade grew in the nineteenth century, numerous obstacles to the movement of goods and persons across national frontiers, which had arisen in the course of the national trade warfare or mercantilism of the preceding three centuries, were gradually abolished.

In the nineteenth century, rights of entry, of travel and residence, of commercial activity, of property ownership, freedom from military service and special levies, access to raw materials, mining rights, the rights to sue and be sued, to hire labor, to be taxed equitably, to incorporate business enterprises, to enjoy facilities for transit and communication, to have protection for plants, animals and goods, to receive consular assistance, and to enjoy freedom of worship—all these and other rights came to be defined in considerable detail. The texts of clauses to cover all these matters have now largely been standardized.

The proposed multilateral agreement should make specific provision for these established practices, or assert the validity of their definition in certain of the more recent Treaties.

International agreement upon an adequate framework for postwar trade and investment is essential, if their organization is to be secure, and their expansion is to continue; and in our modern world agreement upon an adequate international framework is equally essential to the rational reconversion of each national economy from wartime to peacetime activities.

The opportunity to negotiate a multilateral agreement is now offered by the existing agreement between the several United Nations, expressed in Article VII of the Mutual Aid Agreements.

In providing for the organization of international trade after the war and for its continuing expansion, the proposed International Economic Charter should establish the following principles:

1. *National Treatment:*

The general principle that alien traders shall be entitled to receive the same treatment as is accorded to citizens by their own country should be affirmed. [1]

2. *Most-Favored-Nation Treatment:*

The principle of unconditional most-favored-nation treatment gives every alien trader the right to receive as good treatment as is given any other alien trader of any other country. This principle, which has long been observed as a part of the trading policy of the United States, should be given effect by the terms of the proposed agreement.[2]

3. *Simplification of Formalities:*

Provision should be made in specific detail for the elimination of excessive, arbitrary or unjust customs formalities and procedures.[3]

4. *Unfair Competition:*

Unfair competition should be limited by provisions embodying the detailed proposals adopted, on the motion of the American Delegation, by the Brussels Congress of the International Chamber of Commerce in 1925.[4]

5. *Commercial Arbitration:*

The protocol and agreement committing national governments to the principle that national courts shall recognize and enforce the

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[1] League of Nations, *Commercial Policy in the Interwar Period*, p. 27.
[2] League of Nations, *Recommendations of the Economic Committee Relating to Tariff Policy and the Most-Favored-Nation Clause*, II.B.1. 1933, pp. 6-23.
[3] League of Nations, *Commercial Policy in the Interwar Period*, pp. 25-27.
[4] League of Nations, C.E.I.33, *Unfair Commercial Practices*, pp. 29-30.

validity of arbitration clauses in international commercial contracts is essential to the effective working of the International Court of Commercial Arbitration created by the International Chamber of Commerce, and should be embodied in the proposed agreement.[5]

6. *Double Taxation:*

The principles for the elimination of double taxation, as expressed in a number of bilateral international agreements, should form an integral part of the agreement.[6]

7. *Import Prohibitions and Quotas:*

Quantitative restrictions on imports are more disruptive of the normal flow of international trade than are tariffs; and their arbitrary and discriminatory character is more apt to engender international friction and ill will. The proposed agreement should therefore prohibit their use.

In the emergency of the immediate postwar period, however, there may be no escape from the resort to such quantitative controls—to enforce priorities for the use of available shipping space, or of foreign exchange, the rationing of scarce goods or the allocation of the temporary surpluses of some commodity. Any agreement to abandon quantitative restrictions, therefore, should provide for such exceptions as may be necessary to meet this temporary emergency.

Special circumstances may also arise in which a country should be permitted to impose quantitative restrictions in order to safeguard its balance of payments. Such action will be exceptional and should be subject to review by the United Nations Economic Organization in respect of the period during which such restrictions would operate, as well as in other respects. Such quantitative restrictions should be non-discriminatory in their application in any event.

In addition there will need to be exceptions for quantitative regulations imposed pursuant to recognized intergovernmental commodity agreements, and there should, of course, be the usual exceptions for

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[5] League of Nations, *Commercial Policy in the Interwar Period*, p. 29.
[6] *Ibid.*, p. 30.

sanitary restrictions, the procurement of military supplies, and the like.

8. *Exchange Control:*

Exchange control, involving allocation among importers of available means of foreign payments, can be used as a most effective means of trade discrimination and restriction. Indeed, in the pre-war period, it became the governing control to which tariff, quotas and licensing systems were subordinated. It is improbable, however, that immediately after the war any country will be able to forego its control of foreign exchange. But the proposed agreement should provide for the ultimate elimination of exchange restrictions on commercial transactions, and pending such abandonment, for their administration in such a way as to lead toward, and not away from, free multilateral trade.

Exchange control should be a temporary defensive measure to be used pending the adoption of measures to correct the balance of payments. It should be used only to safeguard the national balance of payments, not to erect barriers in restrain of trade. It should neither be used as a device for driving trade or tariff bargains, nor to discriminate between countries, nor to encourage discrimination by second and third countries.

9. *Preferences and Discriminations:*

The object of the International Economic Charter is to establish equality of treatment in respect of all forms of trade control, including tariffs, quantitative import restrictions, export taxes, State-trading and foreign exchange control.

Two exceptions to the rule of equality of trading opportunity are generally recognized. The first is the granting of special advantages to facilitate frontier traffic. Such advantages are usually confined to a zone of approximately ten miles on either side of the frontier.

Customs Unions constitute the second exception. Such unions usually lead to closer political union. Contrary to popular belief, they do not always lead to increased world trade. Since new Cus-

toms Unions are now being projected, it is desirable that they should be subject to review by the United Nations Economic Organization.

The application of the foregoing principles of equality of trade treatment would involve, among other things, the adjustment of imperial preferences, such as the preferential arrangements of the British Commonwealth of Nations and Empire which will be as fair to their own nationals as to those of the other United Nations. Since these arrangements constitute well-established practices in the countries concerned, they will not be modified except at a price. The acceptance of these conditions will depend upon the effectiveness of parallel steps to reduce excessive tariffs.

In the attempts made before the war to free trade between neighboring countries, proposals were repeatedly made to recognize preferential arrangements falling short of complete Customs Unions as constituting an exception to the rule of equality of trading opportunity, or most-favored-nation treatment. It was urged that adherence to the strict rule of equality prevented the expansion of trade in certain areas, such as central and eastern Europe, and Latin America. Both Great Britain and the United States have hitherto refused, in principle, to accept any such modification of most-favored-nation treatment. In practice, however, the United States has agreed to recognize certain regional preferences in Latin America, but only upon stated conditions, as formulated by the Inter-American Financial and Economic Advisory Committee in September, 1941. There provision was made that "such regional preferences should not be permitted to stand in the way of any broad program of economic reconstruction involving the reduction of tariffs and the scaling down or elimination of tariff and other trade preferences with a view to the fullest possible development of international trade on a multilateral, unconditional, most-favored-nation basis."

It is clear that regional preferential arrangements should be admitted only in very exceptional cases. There is no valid economic distinction between such preferences and imperial preferences, or preferences between the United States and Cuba. Long-term purchase commitments entered into during the war which are preferential in

character should be brought to an end so that open competitive trading may be resumed.

10. *Export Prohibitions and Taxes:*

The Economic Charter should provide for the abolition of quantitative restrictions and prohibitions on exports, and for the abolition of restrictive export taxes.

While export controls are not normally important as a restriction on trade, they may assume considerable importance during and immediately after a war. After the last war they were a serious obstacle to the restoration of trade, and much difficulty was met in obtaining their removal. Export restrictions may operate again, as in the past, to prevent or limit access to raw materials, to provide indirect protection to domestic manufacturers, and to give a bargaining advantage to countries which produce or control raw materials which are in demand.

Permissible exceptions would be restrictions imposed in execution of recognized international commodity agreements, those imposed under conditions of severe domestic shortage in the exporting country, and those imposed in the procurement of military supplies.

11. *Export and Domestic Subsidies:*

Direct or indirect government subsidies or bounties, either for domestic production or for export, often operate in restraint of international trade.

Export subsidies, which result in lower prices on the foreign than on the domestic market, can usually be made effective only if the reimportation of the subsidized products, and the importation of like products of foreign origin, are restricted by tariffs or quantitative restrictions. They form definite barriers to international trade and the Economic Charter should include provisions for their elimination.

Subsidies to domestic production, or income subsidies, do not necessarily involve the use of import restrictions. In the case of countries with an export surplus of the subsidized commodity, such

subsidies do, however, tend to give producers an advantage in foreign markets, unless the subsidies are accompanied by limitations on output. In the case of countries with a deficit of production, subsidies are less objectionable than tariffs and other import restrictions, as a means of assisting domestic producers.

It would not appear practicable in a multilateral agreement to set definite limits to the subsidization of the domestic production of commodities in world surplus. It should be possible, however, to obtain agreement on provisions for consultation concerning the international repercussions of such subsidies. The most important commodities in question are certain agricultural staples, and the United States stands to gain substantially by the elimination or reduction of foreign tariffs, quotas, and subsidies on these products.

12. *State Trading Monopolies:*

The distribution of population, resources and potential markets in the modern world is such that world trade must be regarded as an integrated network. Consequently it is of the first importance that measures shall be devised to facilitate interchange between areas of private enterprise and State-trading areas in a single world market.

The most important country where foreign trade is a complete State monopoly is the U.S.S.R.; but there may well be others in central and eastern Europe, at least for a period after the war.

State trading falls into three main categories:

a) Complete State monopoly of a country's foreign trade.
b) State or State-sponsored monopoly of the trade in particular products only.
c) State trading which is not monopolistic in character.

The International Economic Charter should be so framed as to permit its full acceptance by countries whose foreign trade is either completely or partially conducted by State enterprise.

There is no good reason to suppose that private enterprise countries will need government trading concerns or State-sponsored trade

associations, in order to do business with State-trading monopolies. On the contrary, it is probable that countries with State-trading monopolies will agree to operate them so as to make possible a large measure of non-discriminating trade based on an equality of trading opportunity.

Countries operating a complete State-trading monopoly should be invited to undertake a global commitment to purchase during a given period specified quantities of imports, not allocated to particular countries, in return for a relaxation of trade barriers by the private enterprise countries.

Countries with State monopolies controlling the trade in particular products should agree not to use such monopolies as a means of affording undue protection to domestic production.

Complete and partial State-trading monopolies, and non-monopolistic State-trading enterprises should make their foreign purchases and sales on a non-discriminatory basis.

Governmental action in private enterprise countries should be confined to normal trade control measures, such as the adjustment of tariffs.

The provisions of the International Economic Charter in these respects would make appropriate exceptions for postwar emergency arrangements.

If, as is proposed, provision is made in the Economic Charter for consultative review of these trading arrangements by the United Nations Economic Organization, any restrictive or discriminating effects flowing from the operation of State-trading monopolies would be drawn to the attention of the countries concerned.

13. *The Adjustment of Tariffs:*

The proposals made above are designed to remove certain direct and indirect barriers in restraint of international trade which have been erected in the recent past. For the most part concessions there will concern countries other than the United States, which has relied primarily upon its tariff, rather than upon quantitative restric-

tions, exchange control, regional preferences, or State-trading monopolies.

The United States will find no difficulty in agreeing to national treatment and most-favored-nation treatment, since these are a part of its established commercial policy. The proposals made in respect of double taxation for the most part accord with American practice. Those made with regard to unfair competition and the arbitration of commercial disputes are due to American initiative in the International Chamber of Commerce.

To obtain the very real advantages which substantial concessions by the other United Nations in the removal of direct and indirect barriers in restraint of international trade will bring to the United States, the United States in turn will have to proceed to an adjustment of its own barriers to trade, which will be as fair to its own nationals as to those of the other United Nations. In negotiating the proposed multilateral agreement the United States can pursue its economic policy, as established in the negotiation of the Reciprocal Trade Agreements, so as to secure a simultaneous and general adjustment of all trade barriers.

Unless a concerted effort is made now to create the conditions in which multilateral world trade can be carried on effectively by private traders competing on a basis of equal opportunity, governmental monopolies and trading blocs will be organized. Governments will strengthen their policies of protection and restriction in an effort to obtain at least a minimum of security in a contracting world economy. The end of that road is a third world war. Peace, as well as prosperity and economic enterprise, is bound up with trading opportunity.

If balanced trade cannot be expanded in the postwar world, every country will be faced also with the necessity to reorganize and often to reduce drastically its present productive capacity. Any attempt to base this capacity on domestic materials and use it for the national market alone would involve a degree of government intervention and

monetary and financial experiments which would almost certainly destroy the present economic structure.

Restrictive cartel agreements would multiply in a world of reinforced economic nationalism, and the search for raw materials would take on the character of economic warfare. It is an illusion to believe that a free national economy can be preserved if external economic relations must be regimented.

The proposals set out above are therefore designed to constitute a framework within which international trade can expand on a basis of real competitive efficiency and equality of trading opportunity. They imply the creation in the world of a very large area of expanding multilateral trade. The opportunities for trading enterprise within that area will be very great. If each of the United Nations contributes its share to the abandonment of restrictive and discriminatory practices, and if trade barriers are adjusted so as to be fair to all, there is every reason to expect a more rapid recovery from the economic dislocation of war, a great and growing expansion of trade, production and employment, and a steady rise in the standards of living of the peoples of the United Nations.

It may be assumed that the United Nations will concert parallel action to stabilize the exchange rates and provide a mechanism for the free multilateral clearing of international payments. A permanent organization to serve the economic interests of the United Nations is proposed below, and this will afford means of consultation, so that parallel rather than contradictory action may be taken in regard to national, monetary, and fiscal policies. There may be occasion to concert international machinery to promote the orderly development of economic resources in areas which lack adequate capital equipment. The International Labor Office continues to function. The Food and Agricultural Organization, now in process of creation, will be available to facilitate the cooperative action of the national governments of the United Nations. The countries which participate in the creation of their instrumentalities of international collaboration, and which contribute to their success by taking the

concerted action for their effective working, will be entitled to the full benefits of most-favored-nation treatment. They will share in the expanding opportunities of competitive trade which are offered.

The United Nations will constitute the members of this organization, but provision will be made for neutral nations to adhere upon acceptance of the Economic Charter and the fulfillment of its stipulations, so that they also may enjoy most-favored-nation treatment. The question of enemy countries may be deemed at this time to be wholly political.

Failure to accept the Charter, or failure to execute its provisions, should entail loss of most-favored-nation privileges. There is no reason why the conditions of trading equality created by the contributions of the member states should be enjoyed by those who are not willing to accept and abide by the rules of the Organization.

United Nations Economic Organization

In the preceding section of this Report proposals have been made for the acceptance of obligations by governments subscribing to an Economic Charter. Reference has been made to the necessity for creating a United Nations Economic Organization.

Conferences are not enough. In the period between the wars the international conferences unanimously recommended, and the great majority of Governments repeatedly proclaimed their intention to pursue policies designed to bring about conditions of freer and more equal trade; yet never before in history were trade barriers raised so rapidly or discrimination so generally practiced.

What is needed to avoid a recurrence of such beggar-my-neighbor policies is a definite commitment on the part of Governments to such proposals as are set out above and a consultative international economic organization empowered to implement them, and to recommend measures for their effective application.

The Organization suggested is not directly concerned with the proposals which have recently been made for inter-governmental action to stabilize the exchange rates or to supervise the flow of

international credits. Its primary concern is with commercial policy. On the other hand, it must be recognized that trade, investment, monetary and fiscal questions are intimately connected.

The minimum of international organization, however, which is necessary for consultation and agreement on the administration of commercial policy agreements is here suggested. It is assumed that appropriate action will be taken in such a closely related field as exchange stabilization. The relation between a United Nations Clearing Union or Exchange Stabilization Authority and the United Nations Economic Organization here proposed would be a subject for separate consideration.

As far as commercial policy is concerned, what is needed is an Economic Organization, which would have consultative, research, advisory, standard-making and arbitral functions. It should register agreements, analyze and compare national economic developments, afford facilities for consultation, for the coordination of policies, and for the adjustment of differences, arising among the governments directly interested.

For these purposes it must have an adequate secretariat, including competent technical personnel.

The key to effective direction of such a secretariat is to be found in a wise combination of expert competence and official responsibility in the governing committees. General direction of policy would be provided by an annual Conference of the interested governments. There is need, however, for at least quarterly meetings of an executive committee, whose members would be chosen primarily for their technical competence. The executive committee would be empowered to appoint such committees as might be needed for special occasions.

It will be noted that continuing responsibility would accrue to the United Nations Economic Organization in regard to several specific provisions of the Charter. Among these are:

a) application and administration of emergency quantitative restrictions in special circumstances.

b) investigation of the commercial policy aspects of exchange control systems.
c) investigation of projected customs unions.
d) application and administration of emergency export restrictions.
e) investigation of the international effects of State-trading enterprises.

The allocation of functions between the executive committee and various standing committees would best be worked out in practice. Standing committees would in all probability be required to deal with:

a) Fiscal policy, including double taxation.
b) International Commodity Agreements.
c) Commercial policy.
d) Commercial arbitration.

There should be a statistical division to gather data on the volume and composition of trade, production, international transit, investment and other questions relating to international economic relations, and to register and report the latest information on customs laws and regulations, tariffs and other matters of interest to traders.

Given prior agreement to establish fair conditions of freer trade, the proposed United Nations Economic Organization would act as a clearing-house of national policies. Governments would find it a convenient forum for the interchange of information and for consultations looking toward the adjustment of differences and concerted action to promote mutual prosperity.

THE COMMITTEE ON INTERNATIONAL ECONOMIC POLICY

in cooperation with

THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

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(Membership as of June 28, 1944)

1944

ECONOMIC

UE 462 /G

26 JUL 1944

1.

UE 402 | ~~402~~ /43/53 | G.

W. C. O. Conclusion 92 (44) July 18.

Circd. July 26.

Discussions under Article VII: (Commercial Policy)

Cabinet discussed our State's refusal to enter into detailed discussions on commercial & commodity policy at present. The S/S was invited to telegraph the State Department's views as to the advisability of holding such discussions in the autumn. The P.M. undertook to

Last Paper.

UE 660 | 660 | G.

References.

UE 291/143/53.

(*Print.*)

(*How disposed of.*)

(Action completed.)	(Index.)
[illegible] 28/7/44	W.J.A.

Next Paper.

(UE 818/143/53)

Set up a Cttee: to (Minutes) examine Commercial Policy.

Tel to Lisbon sent.

N. a pt. MB. 27/7.

R. Ashton. 26/7.

J.K. Caulcott 26/7

M 27/VII

(No. 6479 of 19/7) Lowson!

War Cabinet Conclusions
92 (44) July 18, 1944
(5.15 pm)

UE 462

DISCUSSIONS UNDER ARTICLE VII

Commercial Policy

(Previous References:
W.M.(44) 83rd Conclusions, Minute 1;
W.M.(44) 72nd Conclusions, Minute 5;
W.M.(44) 58th Conclusions, Minute 4.

THE CHANCELLOR OF THE EXCHEQUER informed the War Cabinet that a short time ago the State Department through Mr. Winant had invited our delegation which was taking part in the conference at Bretton Woods on the International Monetary Fund to go to Washington when that conference was over to resume in an informal way the Article VII discussions on commercial policy and commodity policy. He (the Chancellor of the Exchequer) had taken the view that we could not refuse this invitation altogether. As the War Cabinet were aware, the Minister of State, who was a member of the delegation to Washington for discussions on oil, had gone on in advance of the delegation in order to have discussions on several other matters, including the proposal for replacing the Lend-Lease White Paper of September, 1941 (Cmd. 6311). The Chancellor of the Exchequer suggested that the Minister of State should indicate the reasons why it was difficult for us to enter into detailed discussions on commercial and commodity policy at this moment.

A telegram now had been received from the Minister of State to the effect that an extremely unfavourable impression which had been created in Washington by our attitude over Article VII. The fact that we had indicated that we were unable to discuss these matters at the present time, without explaining our difficulties, had caused resentment. This might reflect disastrously on the discussions with the United States representatives about Lease-Lend in Stage II. The Minister of State pressed that he should be authorised to explain the reasons why we could not make as rapid progress as the Americans wished in the Article VII discussions.

The general view expressed in discussion was that the American attitude showed some lack of comprehension of our difficulties, and that it was not reasonable for them to press us so strongly for the continuance of discussions at this juncture. At the same time it was felt that there would be advantage in giving the Americans a frank explanation of our position, and indicating that we should be ready to resume discussion in the course of the autumn.

The War Cabinet's conclusions were as follows -

(1) The Foreign Secretary was invited to send a telegram to the Minister of State, authorising him to make a communication to the U.S. Government on the following lines -

> He should explain that the issues involved raised considerable political difficulties for us. H.M. Government felt that it was very undesirable that matters involving serious political difficulties should be actively canvassed at a time like the present, when great battles which might be the climax of the war were being fought. Moreover, the time of Ministers was at the moment wholly taken up with other matters. We were not, therefore, in a position to resume discussions at the present time, but we should be ready to do so in the autumn, when a delegation of three leading Ministers would be ready to discuss the matter with representatives of the U.S. Government.

(2) The Prime Minister undertook to set up a small Cabinet Committee of four or five Ministers to re-examine the Commercial Policy Scheme, with particular regard to the position of agriculture, and the provisions for bulk purchase thereunder.

Offices of the War Cabinet,
S.W. 1.,

18th July, 1944.

1944

UE

ECONOMIC.

UE 581

4 AUG 1944

Registry Number UE 581/143/53

FROM Lord Keynes, Treasury.

No.

Dated 27th July:1944.

Received in Registry 4th Aug:1944.

UE: Economic.

Article VII; Conversations on Commercial Policy.

Transmits a memorandum on the above subject, dealing with the principles of British Commercial Policy, Import and Export Programmes, State Trading and Bulk Purchases, the Equated Price System, and Imperial and other preferences.

(Minutes.)

Last Paper.

UE462/9.

References.

(Print.)

(How disposed of.)

I understand that this paper was written by Lord Keynes at Sir Edward Bridges' suggestion, with a view to finding ways and means of getting round the deadlock on commercial policy in the Article VII talks. The Board of Trade have expressed a number of objections to this paper, the proposals in which seem them to be dangerously vague in certain respects. At the moment it seems to be dead but it may perhaps be revived if and when the Ministerial Committee, which the Prime Minister has undertaken to form, gets on with its further consideration of commercial and commodity policy.

8th August, 1944.

(Action completed.)

9/8

(Index.)

M.H. 26/8/45

Next Paper.

UE584

27437 F.O.P.

TREASURY CHAMBERS.

With Lord Keynes's compliments.

E.R. 581
4 AUG 1944

27th July 1944

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discriminatory trade practices and has no intention of doing

Her trade policy before the war probably conformed more closely to the objects aimed at in the Mutual Aid Agreement than that of any other country. She is, therefore, in full sympathy with the purposes of the State Department. In particular, she greatly welcomes the proposition of a Multilateral Trade Convention which would govern and over-ride any bilateral arrangements. Moreover in matters of detail she is probably prepared to go further in the desired directions than any other country.

2. Nevertheless her prospective trade position after the war means that safeguards for the balance of trade are indispensable to her. In other respects also it is felt that there is some risk of misunderstanding unless certain fundamental principles of British trade policy after the war are frankly and fully stated. The following categorical statement of our indispensable requirements is not meant to imply that some, or even most of these, have not been already met in part or in substance in the existing draft Statement of Principles.

Article VII. Conversations on Commercial Policy

Mr. Hull's invitation to continue these conversations on the expert level should be accepted. But the officials taking part should be instructed to be frank with the Americans on the following aspects of British Commercial Policy, and should regard it as part of their directive to bring the draft Statement of Principles into conformity therewith.

Principles of British Commercial Policy

1. Great Britain both by tradition and self-interest is concerned with the removal of obstacles to international trade and, in particular, the moderation of tariffs. She has never adopted discriminatory trade practices and has no intention of doing so. Her trade policy before the war probably conformed more closely to the objects aimed at in the Mutual Aid Agreement than that of any other country. She is, therefore, in full sympathy with the purposes of the State Department. In particular, she greatly welcomes the proposition of a Multilateral Trade Convention which would govern and over-ride any bilateral arrangements. Moreover in matters of detail she is probably prepared to go further in the desired directions than any other country.

2. Nevertheless her prospective trade position after the war means that safeguards for the balance of trade are indispensable to her. In other respects also it is felt that there is some risk of misunderstanding unless certain fundamental principles of British trade policy after the war are frankly and fully stated. The following categorical statement of our indispensable requirements is not meant to imply that some, or even most of these, have not been already met in part or in substance in the existing draft Statement of Principles. For the British officials at the first series of talks were conscious of these requirements and were concerned to see them satisfied. But a careful study of the draft leaves the impression that there may be some dangerous ambiguities in the Statement and that the real importance in practice of certain, sometimes obscure, safeguards in the draft may not be sufficiently apparent to all of those whose duty

it will be to approve the final result. It also appears that certain technical methods such as tariffs and subsidies to which the United States is well accustomed, and full-blown State trading, such as is enjoyed by Russia, are dealt with more tenderly than alternative methods better suited to British conditions, although the latter may be more moderate in their effect on the outside world than those which are to be allowed and not, for any obvious reason, more inherently objectionable. This difference of approach becomes even less defensible when it allows countries which already have a relatively high tariff to maintain a permanently higher level than those which in the past have been more moderate in their impositions. It is, therefore, necessary that the British standpoint should be re-stated quite frankly as soon as the conversations are resumed.

3. Import and Export Programmes

Experience before the war indicated that methods of unregulated laisser-faire were not successful in securing equilibrium between imports and exports, at any rate in the short-term. For a country which has normally an export surplus or possesses large liquid reserves to meet an import surplus, this need not be a matter of serious concern. But for many countries these conditions were not fulfilled; and, in the case of Great Britain, they will not be fulfilled after the war. Some latitude, therefore, for official planning of import and export programmes is indispensable to economic health, and, indeed, to the maintenance of solvency and credit. In Great Britain we expect to have to curtail the natural home demand in certain directions so as to release a surplus for export and also to adapt our domestic policy to allow a sufficient expansion of exports; and, on the other side of the account, to limit certain classes of imports to what is essential. This line of policy is not only consistent with, but even required by, a healthy international system. The United States may find that equilibrium with the rest of the world requires precisely the

on their part
opposite policy. The one type of measure should be regarded as not less healthy and desirable than the other. Countries should not merely be allowed as an exceptional indulgence to take measures to secure an equilibrium between imports and exports, but should be positively encouraged to do so; and there should be no suggestion of the contrary. It can be argued that the draft Statement of Principles makes full allowance for all this, especially in the passages which allow for the restriction of imports by countries in balance of trade difficulties. But the underlying principle is not sufficiently clear. Import and Export programming should be expressly permitted, subject always to provisions intended to secure that the expansion of imports to balance exports is regarded as not less necessary for a healthy equilibrium than the limitation of imports to balance exports. At the same time, such methods, however capable of good use, are also liable to abuse; and it is to the avoidance of these abuses that the Multilateral Convention should address itself. In particular, the general object should be - as Great Britain's most assuredly will be - the expansion and not the restriction of international trade so that equilibrium is reached on the basis of as large a volume of trade both ways as is possible.

Secondly the divergence produced by import regulation between the world price and the domestic price should not be greater than the maximum divergence permitted by means of tariffs. Above all, the methods adopted should be free from any discriminatory intent.

4. State Trading and Bulk Purchases.

It is not clear that the draft sufficiently recognises an economic dispensation intermediate between the complete State Trading of Russia and the laisser-faire policies of the 19th Century when Governments stood aside altogether from acts of commerce. The draft allows a fully State Trading

country to do almost anything. For example, there is not the slightest interference with a complete policy of import and export programming by such a country. It does not seem reasonable to prescribe, or even to suggest, that only the two extremes are permissible, when, in fact, the great majority of the peoples of the world are likely to pursue an intermediate policy, and may, indeed, in the judgment of some responsible people, be well- advised in doing so. As one of the countries increasingly committed to some version of the intermediate policy, Great Britain can scarcely be expected to commit herself to a draft which even appears to a careless reader to bless the extremes and to suggest that it is only in between that vice is to be found.

This issue comes to the surface particularly in connection with Bulk Purchasing. The draft Statement can be read to include useful qualifications in this context. But it is important that there should be no ambiguity about the freedom of adherents to the Convention to enter into either short-term or long-term Bulk Contracts. Nor should barter agreements of a mutual character be entirely excluded where they allow an extension of international trading which would, otherwise, be impracticable; though they should be made subject to special safeguards. Here again the criterion should be whether such arrangements tended to increase the volume and stability of international trade, and whether they were being administered without a discriminatory intent. Too crude a code will break down when it is faced with the variety and multiplicity of natural conditions.

5. <u>The Equated Price System</u>

Important cases will certainly occur where a country is importing an article at one price, is producing the same article at another price, and wishes to charge the consumer neither the importing nor the domestic producers' price, but the weighted or equated price of the supply taken as a whole. For certain agricultural products there is great administrative convenience

in this system, and there seems no sufficient reason why it should not be permitted. Substantially the same result can be obtained, it is true, from tariffs or subsidies or a combination of the two. But there is no ground for alleging that there is something peculiarly vicious in the technique of the Equated Price System from which the alternative techniques are, for no apparent reason, supposed to be free. At the same time it would be proper to limit the divergence between the world price and the price to domestic consumers to the maximum difference permitted by any tariffs.

6. Imperial and other Preferences

Great Britain has committed herself in the Mutual Aid Agreement to consider the reduction, and even elimination, of Imperial Preferences in return for a sufficient reduction of the world's Tariff Systems. But she has not agreed that the Preference System possesses some special inherent vice from which tariffs and subsidies are free. It must be made clear that Great Britain regards the system of Imperial Preference as a domestic matter which cannot be regarded as involving a discriminatory treatment of foreigners. To treat the Preference System as having some extra measure of original sin is, once more, to treat the extremes as legitimate amd anything in between as illegitimate. Federal systems, Zollvereins, a Union of Soviet Socialist Republics, Colonial Systems such as that of France, are to be permitted. But arrangements between members of a Commonwealth which are less exclusive are to be eliminated. Great Britain cannot accept this conclusion. At the same time the abatement or elimination of Preferences along with the abatement of Tariffs and subsidies is another matter. Great Britain is prepared to go a long way in this direction - probably further than others will be ready to go.

7. Whilst high tariff countries can reasonably be allowed at the outset a somewhat greater latitude than low tariff

countries, and can be given time in which to accommodate themselves to the general code, in the long run the code, both for old tariffs and for new tariffs, should be the same for all alike; and in the meanwhile, the measure of divergence between world prices and domestic prices, which is permissible as a result of subsidies, equated prices or import control, should be the highest level currently permitted for any tariff.

8. To make these matters clear is, to an important extent, a matter of presentation. They may be already covered in the Draft Statement to a greater extent than is appreciated at first sight. There is no reason why a plan should not be worked out, directed to the freedom and expansion of international trade, and to the elimination of discriminatory practices, which is fully compatible with the programming of overseas trade, with bulk purchasing, with the principle of Equated Prices and with the treatment of Preferences in relation to Tariffs. But the British experts should make it clear that there is no misunderstanding about the above four principles. They believe, moreover, that a modification of the draft along these lines may render it much easier of acceptance by a number of countries which have not yet been consulted. Since the attainment of a Multilateral Convention is the essence of the matter, an improvement in the general acceptability of the Plan may be vital.

1944

UE

ECONOMIC.

UE 584
5 AUG 1944

Registry Number } UE 584/143/53

TELEGRAM FROM
Sir R. Campbell.
(Washington)
No. 597 Remac.

Dated 2nd August, 1944.
Received in Registry } 5th August, 1944.

V: Economic

Forthcoming Article VII discussions.

Repeated NCOttawa No. 12 Relief. Discussions have taken place as to presentation of material in forthcoming discussions. It is assumed that this will comprise (1) short memorandum containing British views, (2) detailed memorandum containing statistical material, (3) It is thought that preparations should be made in case further statistical material is required. It is also felt that some general understanding on the matter should be reached

Copied Treasury.

Last Paper.

UE581.

References.

(Print.)

(How disposed of.)

(Minutes.)

The idea of having a statistical adviser is a good one; otherwise, there is nothing new here.

JH
5/8

(Action completed.)

JBJ 18/8

(Index.)

M.H. 26/2/45

Next Paper.

UE603

27692 F.O.P.

DEPARTMENTAL NO.1.

UE 1584

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE.

5 AUG 194

Sir.R.I.Campbell.
No.597.REMAC.
2nd August, 1944.

D.1.38.a.m. 4th August,1944.
R.12.5.p.m. 4th August,1944.

Repeated to Ottawa (High Commissioner) No.12.Pilif.

66666

TOP SECRET.

For Harmer from Lee.

With Brand's concurrence Robertson, Robbins and I have been giving some thought to the preparation and presentation of material for our case in forthcoming discussions. We have necessarily had to do so in ignorance of procedure for such discussions as envisaged in London and of the latest form proposed for brief. It may well be therefore that the following observations are irrelevant or superfluous but we send them in case they may be helpful.

2. Our remarks fall under four heads:

(a) We assume that written material designed for communication to the Americans will take the form of
1) comparatively short "popular" memorandum to be left with the highest United States authorities setting out the essence of our case.

2) more detailed memorandum with arguments based on statistical material which should be put in for study as necessary by those members of the United States departments to whom the highest authorities may refer after initial approach has been made to them. Do you in fact envisage procedure on these lines?

(b) We feel we must be prepared for demands for further statistical material covering the ground other than that which (as we understand it) will be dealt with in annexes to memorandum as hitherto planned. For instance we may be called upon to produce comparative statements indicating relative strain of the war effort in terms of national income and it may be advantageous for us to put in such material. We do not know what plans are contemplated for despatch here of statistical adviser but we would urge that this office will not itself be capable of producing such material and that reference to England by telegram is bound to be unsatisfactory. We feel therefore that it would be of great advantage if, say, Stone, Dennison and Edgar Jones could be here in order to be available for advice on statistical material and such discussions with United States representatives as my be necessary.

(c).....

(c) I have already commented in letter to you on the importance of deciding whether or not we are to attempt to secure the continuance of Lend Lease in the present form or to try for something in the nature of a protocol arrangement with the object of removing basis for day to day arguments resulting from elaborate Lend Lease case of law which F.E.A. have built up.

(d) We feel we shall have to achieve some tripartite understanding about policy in regard to demands which might be supplied either from the United States or from Canada. Otherwise (unless of course there is a firm protocol arrangement with the United States) we shall certainly be faced with pressure to transfer demands from the United States to Canada to the fullest extent possible, especially as and when more Canadian capacity becomes available. Unless there is some general understanding about the extent to which this can be accepted, there may be increasing number of difficult discussions over individual cases with the risk of uncertainty and delay in procurement.

Above has of course been drafted in prelude to what may transpire on this point during the present discussions in Ottawa.

[Copies sent to Treasury].

[OTP]

.....

1944

UE

ECONOMIC.

E 7603
5 AUG 1944

Registry Number } UE 603/143/53.

FROM Foreign Office Minute, Mr. Ronald.

No. -

Dated 3rd Aug. 1944.

Received in Registry } 5th Aug. 1944.

UE: Economic.

Article VII talks.

Attaches copy of minute submitted to Lord Keynes embodying a number of points made in discussions with Mr. Brand, Sir W. Eady, Professors Robertson and Robbins. The minute was used as a brief at the Bretton Woods discussions on 15th and 21st July. Since the minute was written it has been decided to resume the Article VII talks in the Autumn.

Last Paper.

UE 584

References.

(Print.)

(How disposed of.)

(Minutes.)

B.U. Aug. 16/44 JEa 8/8

Mr Hall-Patch

I shall be grateful if you will look at this and, if the Law has time for a talk about it some day, be present at that talk

RNR 15/8

I am at your disposal.

S.A. Hall-Patch. 17/8

The Minister of State

I wd be glad to discuss this with you at any time.

DL 18/8

I will fix in with any time convenient to you & Mr. Law.

Sh.-P. 18/8

W. Ronald

Now see minutes on UE 823/G

X

RNR 27/8

(Action completed.) BJ 29/8

(Index.) M.H. 26/2/45

Next Paper.

UE 818

enter
MW
4/viii

E . . 603
5 AUG 1944

1. I attach a copy of a minute which I submitted to Lord Keynes at Bretton Woods embodying a number of points which had been made in discussion with Mr. Brand, Sir W. Eady, Professor Robertson and Professor Robbins.

2. The primary object of this minute was to educate Mr. Brand and Sir Wilfred Eady, who, in the view of Professor Robbins and Professor Robertson, had not sufficiently appreciated the possibility of our reluctance to proceed with the Article 7 conversations ~~approaching~~ our prospects of obtaining the grand scale accommod-ation which the Treasury hope to obtain from America. The secondary object of the minute was to bring together a number of factors which have a connexity hitherto insufficiently appreciated.

(prejudicing)

3. It was not my intention in this minute to use the tendency of the Americans to contract out of their European obligations as one of the main grounds on which we should urge them simultaneously to continue lend-lease and help us to promote our proposed export drive. I merely wished to advance this incidentally as one of the grounds among many on which the American administration might justify to their public the continuation of lend-lease on a generous scale after formal hostilities in Europe had ceased.

4. In the event no actual action was taken on my minute but it was used as a brief in what the Bretton Woods Delegation said to the Minister of State at their meetings with him on July 15th and 21st.

5. Since the minute was written, the Minister of State has been authorised to inform Mr. Hull that we shall be prepared to resume the Article 7 talks in the autumn. No action is now required on the minute, but I should like Mr. Butler to look at it and, if he wishes, comment on it. I should add perhaps that I gave a copy of an earlier draft of the minute to Sir Ronald Campbell who may have shown it to Mr. Law.

RHM

August 3rd, 1944.

This seems to me a very useful paper, but I think that perhaps Mr. Ronald under-estimates the value of the point in para. 3 of his minute and para. 3(a), (b), (c) and (d) of his paper, though the point might be presented rather differently. It is clear that the Americans wish us to take on very large responsibilities in Europe in Stage II. Seeing that they want us

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NOTHING TO BE WRITTEN IN THIS MARGIN.

to play the part of a Great Power, it follows that they should do what is necessary to enable us to be a Great Power, by continuing Lend-Lease and promoting the revival of our export trade. The fact that they have contracted out of some obligations in Europe that they had accepted in Moscow is a further, and quite powerful reason for their treating us generously; and it is one which Mr. Hull or Mr. Stettinius, if it were put to them, could and I think would use with Senator Vandenberg, etc.

As I minuted on a recent U paper, I believe myself that the argument as regards Europe will be a more appealing one to the Administration and to Congress generally than a similar argument as regards Japan - though the latter should certainly not be ignored.

Secondly, the argument in the first sentence of para. 5 of the paper for Sir W. Eady must be complemented, I imagine, by the consideration that we cannot talk adequately about Stage III until we know what help we shall get for Stage II. It seems to me that it is no longer a question of our sweetening the minds of the Americans as regards Stage II by having been forthcoming as regards Stage III. It has now, for better or worse, got to a state of hard bargaining, and although a satisfactory solution of Stage III is essential to us, we shall in fact use our attitude in that as a lever for getting accommodation for Stage II. Whether this bluff will work or not, I cannot say.

As regards the most appropriate agent in this business, I agree that direct contact between the Prime Minister and the President will be desirable pretty soon, but I would think that Lord Halifax was ideally equipped to discharge the first stage of the educational work. He knows and can explain, that the kind of difficulties that the Administration experiences with Congress arise in our case in the War Cabinet of a Government composed of all parties; and he has also, I believe, been primed by the Treasury and Ministry of War Production with the facts.

Mr. Ronald's paper is mainly confined to the Administration, which is of course the key to everything, but my mind leaps always to Congress and the country. I am sure that Lord Halifax and we ought to realise that a very great deal of educational work will have to be done (comparable to that done by Arthur Purvis and Sir F. Phillips prior to the Lend-Lease Bill) with not only outlying Ministers such as Jesse Jones, but with Senators (friends such as Warren Austin and wire-pullers such as Vandenberg), with press tycoons such as Mrs. Ogden Reed, Gram Swing and Lippmann, and with key editors and proprietors in the individual States. I would think that Mr. Harold Butler and Sir G.Campbell could do good work in this connexion if once Treasury will give the word "go" and programme of education by discreet stages is worked out. M Butler 4/8

NOTHING TO BE WRITTEN IN THIS MARGIN.

TOP SECRET

SIR W. EADY
LORD KEYNES

I suggest that it might be useful if we considered among ourselves whether there were any comments or suggestions which we could usefully make on the action to be taken to follow up Stettinius' talk on January 27th with the Ambassador, Campbell and Brand.

2. Although our knowledge of the background as a whole and of the present state of the discussions in London is necessarily incomplete, you may care to have my ideas for what they are worth.

3. As I see the position, the following factors inter alios must be borne in mind:-

(a) Last Autumn an understanding was reached at Moscow that, until the smaller Allies became able to take a share in the burden, the U.S., U.S.S.R. and U.K. would have to accept responsibility for providing military effectives, not only for the occupation of enemy countries up to the point at which the enemy Powers were deemed to have been disarmed far enough to preclude a possibility of their resuming aggression, but also for the restoration and maintenance of order in non-enemy territory where this was regarded as essential in the common interest. On this basis, though subject of course to the exigencies of the Japanese war, it was expected that U.S. would be prepared to contribute, proportionately to its manpower etc. rsources, both to the occupation of Germany, Austria, Hungary and perhaps Bulgaria and to the restoration of order in Greece, Albania and Yugoslavia;

(b) it now appears that the U.S. will be unwilling to do more than provide effectives for the occupation of North-West Germany - a zone originally allotted to U.K. for strategic reasons which we regarded as indefeasible;

(c) we are now likely to have to find effectives for a third of Germany (S.W.), for at least half Austria, for the Italian Dodecanese and African Colonies, perhaps for Bulgaria and possibly for Italy, Greece, Crete, Albania and Yugoslavia, not to mention Egypt, Palestine and Syria where the possibility of disorders cannot be ruled out, more particularly in the event of our being deeply preoccupied elsewhere;

(d) the prospective rate at which our military de-mobilisation can proceed will thus be markedly slower than it would have been, had the Americans honoured their bond and, unless, in compensation for their failure to find military effectives, the Americans undertake practically 100% of the maintenance of the 2½ million odd British troops involved, home production and import programmes will have to be devoted to military purposes to a far greater extent than they need have been, had the Americans fully implemented the Moscow understanding;

(e) our Stage II difficulties thus appear likely to be even greater than was contemplated some months ago, even though on the other side of the ledger it now looks probable that our Far Eastern commitments may be somewhat less than they might have been, as the Americans apparently intend to accept a rather larger share in finishing off the war in the Far East particularly in the naval field;

(f) any requests that we make relating to Stage II must be considered by the Americans in the light, not only of the Moscow understanding, but also of our prospective difficulties in Stage III;

/(g) the

NOTHING TO BE WRITTEN IN THIS MARGIN.

(g) the question thus arises how farwe can hope to finalise agreement on Stage II before the Americans are made aware to the necessary extent of our Stage III difficulties which we shall wish them to take into account in considering our Stage II requests;

(h) clearly it will be essential to convince the Americans in the first place that we are worth helping and that, when helped, we shall prove loyal as well as competent associates;

(i) ex hypothesi we are about to disclose to the Americans the extent of our short-comings as associated in both manpower and finance: it is these we shall be asking them to remedy in Stage II

(j) at present the Americans have some grounds for suspecting our general good faith so far as Stage III is concerned: for instance:-

(i) when the Article VII talks ended last Autumn the understanding was that they should be resumed as soon as possible after the New Year:

(ii) we first asked for postponement to permit of talks with Dominion officials: these finished in March: we then asked for further deferment until after the talks with Dominion Prime Ministers: these were finished in May: now in July in response to further U.S. requests for resumption of talks we are still being evasive, urging the difficulties of our internal political situation;

(iii) the President proposed to the Prime Minister in mid-February the creation of a United Nations Commission or Steering Committee to plan future procedure in holding international conferences on economic subjects. No reply at all was returned until April 15th. We then promised to discuss the idea with Mr. Stettinius. Although a meeting was actually arranged for him with the Chancellor of the Exchequer, the President of the Board of Trade and Minister of State, this was cancelled at the last minute and he left London without anything at all having been said to him;

I attach copy of agreed brief from which our Ministers had intended to speak.

(iv) a little later the President addressed a further telegram to the Prime Minister in which he spoke with some asperity of our failure to respond and incidentally told us that the Russians had long since accepted the Steering Committee's suggestion;

(k) of the subjects covered by the Article VII Autumn talks finance is being dealt with here at Bretton Woods and the outstanding one of first class importance is of course commercial policy. Last September, with Cabinet authority, we made proposals, amounting practically to offers, of first rate importance on such matters as tariffs, preferences, quantitative restriction and subsidies. We cannot withdraw from the position whichmwe then took up withoyt exciting the deepest suspicion, or indeed, inviting a charge of deliberate bad faith. None the less, as is shown by our reply to Mr. Winant's recent note, we are still shilly-shallying;

(l) is it likely that, while the atmosphere is still poisoned by this persistent and inexplicable silence on a matter which they have made clear is of first class concern to them, the Americans will listen sympathetically to the tales of woe which we propose to pour out to them about our financial, manpower, military and export difficulties in Stage III?

/4. To

4. To turn now to possible lines of action. The first essential seems to me to be at once to take up the tale of commercial policy where we broke it off last Autumn, not only with a view to improving our chances of getting the accommocation we think we shall need from U.S. in Stage III, but also in the general interests of U.K. trade with countries other than the U.S. Secondly, if the Americans appea to set any real store by it, we should agree to their Steering Ctee suggestion subject to prior completion of the second reading on Anglo-U.S. Commercial Policy proposals.

5. If, as suggested above, agreement relating to Stage II can only be finalised in a sense satisfactory to us in the light of a fairly comprehensive knowledge of our prospective needs, as well as of our intended policy in Stage III, what representatives of U.K. are likely to be most fitted to undertake which parts of the process of education, and to what Americans should they address themselves? Naturally, we here know nothing of any plans for the next meeting between the Prime Minister and the President, but in my view the initial step can most hopefully be taken in conversation between these two. Both are deeply interested and well versed in the military aspects of both Stage II and Stage III. Neither, however, can be expected to find time for more than highly generalised allusions to the financial problems of Stage III. An understanding of those is necessary by both if suitable directives are to be issued by them to those discussing Stage II agreements. Can it be contrived that the Prime Minister, if he is in the fairly near future to talk to the President, should bring with him the Chancellor of the Exchequer and perhaps the Minister of Supply, if the Minister of Production cannot come on account of the recent misunderstanding. If the ball is opened by the Prime Minister, the Chancellor and any Minister with him can then, with the President's permission, talk to the appropriate U.S. Ministers. If such a procedure commends itself, can any preliminary education by undertaken by Lord Keynes and other members of the U.K. Delegation here? In all this it is of course essential to bear in mind the difficulty of finding U.S. representatives disposing of the time or the powers of understanding with whom matters of this complexity can profitably be discussed.

NB Macnaw
10/vii/44

1944

UE

ECONOMIC.

UE 1013
22 AUG 1944

Registry Number: UE 818/143/53.

FROM: War Cabinet Offices, communicated.

No.: W.P.(44) 442.

Dated: 12th August, 1944.

Received in Registry: 22nd August, 1944.

UE : Economic.

Article VII: Commercial Policy Scheme.

Transmits minute by the Prime Minister concerning the setting up of a small Committee to examine the question of a Commercial Policy Scheme. Suggests that membership should include the Chancellor of the Exchequer, The Secretary of State for Air and The Minister of Education. Other Ministers will be invited to attend meetings.

(Minutes.)

Last Paper.

UE 603

References.

UE 462/462/G.

(Print.)

(How disposed of.)

There is a strange silence about the interests of the Foreign Office in all this; no doubt we come under others concerned!

J.C. Coulson 24/8

The emphasis seems to be placed on agriculture!

N.A. Lgt. P.T. 24/8.

This is a party party.

24/VIII

(Action completed.) JBJ 24/8

(Index.) M.M. 24/8/45

Next Paper.

UE 913 (WE 2313)

THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT

Printed for the War Cabinet. August 1944.

Copy No. 71

SECRET.

W.P. (44) 442.

12th August, 1944.

WAR CABINET.

COMMITTEE ON COMMERCIAL POLICY SCHEME.

Minute by the Prime Minister.

AT their meeting on Tuesday, the 18th July, the War Cabinet invited me to set up a small Cabinet committee of four or five Ministers, to examine the questions raised by the Commercial Policy Scheme, with particular regard to the position of agriculture and the provisions of bulk purchase thereunder.

Having regard to the far-reaching political issues involved, I have reached the conclusion that the membership of this committee should have special regard to the main political parties in the Government and should be as follows:—

Chancellor of the Exchequer (*in the Chair*).
Lord President of the Council.
Secretary of State for Dominion Affairs.
Secretary of State for Air.
Minister of Education.

A number of departmental Ministers have of course a very direct interest in this matter, in particular the President of the Board of Trade, Minister of Agriculture and Fisheries, Secretary of State for Scotland and the Minister of Food. These Ministers and others concerned will, of course, be invited to attend meetings and given ample opportunities, not only to put forward their own proposals, but also to express their views on other proposals put before the Committee.

(Intd.) W. S. C.

10 *Downing Street, S.W.* 1,
12th August, 1944.

1944

UE

ECONOMIC

E 913

28 AUG 1944

Registry Number UE 913/143/53

TELEGRAM FROM
Lord Halifax,
Washington.

No. 4597.

Dated 26th Aug:1944.

Received in Registry 28th Aug:1944.

UE: Economic.

Australian enquiries concerning discussions on Commercial Policy.

The Government of Australia have made enquiries when economic discussions with Americans are likely to be resumed. It was thought that a United States delegation expected to go to London. The Canadians are thinking more in terms of bi-lateral agreements especially with the United States, although Hawkins still hopes for multilateral convention.

Last Paper.

WE818.

References.

(Print.)

(How disposed of.)

(Minutes.)

Communications Department have been asked to give this telegram special economic affairs distribution. The difficulty is of course, that neither we nor the Americans are in a position to put forward authoritively any Commercial Policy and I doubt whether the projected autumn conversations will be able to make much progress with negotiations with both sides tied hand and foot. A good deal, however, may depend upon the sort of reception given in Parliament here to the monetary proposals. If this goes well, we for our part, may find the Americans more amenable. It is, however, a little disconcerting to see in paragraph two that the Canadians are already apparently writing off the prospects of a multilateral commercial policy agreement.

R Ashton

30/8

N. A. Dept.

29th August, 1944.

Minister of Night

J.E.Coulter 29/8

N.McLeod 30/8

It may be disconcerting to see that the Canadians are writing off the prospects of a multilateral agreement over hopeing to do a deal with the Americans, but there's nothing surprising in it.

I am not sure that Mr. Ashton is right in saying that the Americans are not in a position to put forward any commercial policy. I know that they have on the stocks a draft multilateral convention which they are passionately anxious to shew us but which we coyly refuse to look at.

R a 31/8.

27692 F.O.P.

(Action completed.)

31/8

(Index.)

M.A. 27/2/45

Next Paper.

WE1076/9

UE913/143/53

AMENDED DISTRIBUTION (28TH AUGUST, 1944)

SPECIAL (ECONOMIC AFFAIRS)

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE

D. 6.09 a.m. 27th August, 1944.

Earl of Halifax
No. 4597
26th August, 1944.

R. 2.55 p.m. 27th August, 1944.

T T T T T

IMPORTANT

Having received an enquiry from Government of Australia, Mr. McCarthy, Australian Commercial Policy expert in Washington, came to ask the Economic Adviser when [gp. undec. ? economic] discussions with the Americans were likely to be resumed. The Economic Adviser told him that autumn had been suggested but that no definite decision had been taken. McCarthy knew this already and had heard from State Department that United States [? gp. omitted] expected to go to London for discussions.

2. This enquiry may have originated in McCarthy's recent visit to Ottawa which he would no doubt report to Australia. He had gathered from Robertson and other Canadians that they were not hopeful of the prospects for a multilateral commercial policy agreement and were thinking increasingly in terms of bi-lateral agreements especially with United States.

3. On his return McCarthy saw Hawkins at State Department who had also been in Canada fairly recently but while the latter was worried because time was getting short he had not given up hope of a multilateral convention. The time factor was giving Hawkins grounds for anxiety because Congressional hearings on renewal of Trade Agreement Act will have to begin in February and State Department would have liked to have been able to ask at that time for powers to enter into a multilateral obligation as well as for renewal of the Act.

O.T.P.

[Cypher].

FROM WASHINGTON TO FOREIGN OFFICE

UE 5913
DEPARTMENTAL NO. 2
28 AUG 1944

D. 6.09 a.m. 27th August, 1944.

Earl of Halifax
No. 4597
26th August, 1944.

R. 2.35 p.m. 27th August, 1944.

/////

IMPORTANT

Having received an enquiry from Government of Australia, Mr. McCarthy, Australian Commercial Policy expert in Washington, came to ask the Economic Adviser when [grp. undec ?economic] discussions with the Americans were likely to be resumed. The Economic Adviser told him that autumn had been suggested but that no definite decision had been taken. McCarthy knew this already and had heard from State Department that United States [grp. omitted] expected to go to London for discussions.

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O.T.P.

28 AUG 1944
REGISTRY
F.O.

1944

ECONOMIC

UE1076

Registry Number UE 1076/143/53

TELEGRAM FROM Lord Halifax, (Washington)

No. 4783

Dated 4th Sept.1944.

Received in Registry 6th Sept.1944

UE: Economic

Anglo-United States discussions on Article VII.

Reports information given to Mr.Opie by Mr. Hawkins on 31st August. It is being recommended to the President that he should revive the question of talks. Mr.Hawkins discussed the effect of United States forthcoming election on this matter.

Last Paper.

UE1062

References.

(Print.)

(How disposed of.)

(Minutes.)

Copy handed to Sir W. Eady who will comment in the form of a draft reply.

E Rowe-Dutton

7/9

N.A. Clark 29/9

Sir W. Eady has gone on leave. I gather to-day from Sir D. Waley that before his departure he mentioned the Chancellor on the subject and that no immediate draft reply is likely to be forthcoming. Sir D. Waley thinks that the question may have to be considered by the Ministerial Committee on Commercial Policy over which the Chancellor presides.

I think you were going to arrange that the telegram should be circulated to the members of this Committee?

26513 F.O.P.

W. Coulson Yes and also to the Depts. principally concerned. J.C. Coulson 12/9

12/9

(Action completed.)

30/9

(Index.)

M.H. 27/9/44

Next Paper.

UE1194

FO 371/40948
06/2019 08:00:09)

Sir W. Early also spoke to me about this. He is alarmed at the prospect of our being confronted with a draft Convention, if such if it is merely to serve as a basis of discussion. I do not feel that there is all that substance in his fears, but I personally confess to grave misgivings about the practicability of getting wide acceptance ~~of agreement~~ now of any in a multilateral convention. This is a King Charles' head* with me, but I feel strongly that all we should do for now is an agreed set of principles & rules to govern our behaviour during the transition period and only to be translated into a formal multilateral convention at the time from a five years hence when Governments "know where they are". Furthermore I have always misdoubted the practicability of writing figures and percentages into multilateral agreements. In any understanding of immediate application: to my mind the agreements should begin by being almost exclusively qualitative, the quantitative fillip being written in in the later stages when a formal multilateral convention becomes a practical possibility.

N.M. Malcolm 13/ix

J. Colville 13/9

I am in the meantime, I understand that the Chancellor

Also will make similar use of it. JCR 14/ix

* cf my letter to Mr Lieching of Jan 16 1943 in U 215/47/70 of 1943

[CYPHER]

Earl of
No. *478

4th Sept

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AMENDED COPY AND DISTRIBUTION (7/9/44)

[CYPHER]

SPECIAL ECONOMIC AFFAIRS

FROM WASHINGTON TO FOREIGN OFFICE

Earl of Halifax
No. *4783*

D. 2.53. a.m. 5th September 1944

4th September 1944

R. 11.05. a.m. 5th September 1944

8 8 8 8

TOP SECRET

Following is a statement made by Hawkins of the State Department who asked Opie to dine à deux on August 31st evidently having made up his mind to have one of his talks.

2. He began by confiding that he had been transferred from the State Department to the Foreign Service and had been posted to London as economic counsellor. This is subject to Senate confirmation.

3. Hawkins proceeded to speak confidentially about Article 7 discussions. A memorandum had been provided that very day by the Office of Economic Affairs in the State Department, recommending that the President should propose to the Prime Minister resumption of talks in Article 7. Hawkins is sure that the memorandum will go to the President, but naturally he cannot guarantee that the latter will act as advised.

4. In the judgment of Hawkins the talks should be in London not only as a matter of courtesy, but because he understands that we propose to send a Minister to Washington in the autumn and this would cause too much public comment. Secrecy is important in United States strategy as described below. It was not clear to Opie whether the Americans will suggest London but Hawkins was emphatic that Americans would go to London if we invited them.

5. State Department feel strongly that October 15th is a deadline because they want agreement with the United Kingdom on commercial policy before the election. They regard this as a necessary insurance against possible, though unlikely event of a Republican victory if the United States and United Kingdom could agree on a multilateral commercial policy convention, the State Department are confident that we could carry United Nations with us. Therefore the Americans have prepared a draft convention in the form which they would be willing to put to Congress in February when the hearings on the renewal of Trade Agreements Act are expected to begin. They propose to table draft in the Autumn talks. Movement in State Department to prepare it started after the Secretary *of Agriculture* had "jumped the claim" by making certain proposals to the President on trade agreement arrangements which were unpalatable to the State Department.

/ 6. ...

6. State Department will also ask Congress for "increased powers" under the Trade Agreements Act, as well as for authority to enter into a multilateral convention. In Republican and Democratic circles, the tide is still running strongly in favour of a liberal commercial policy, although Hawkins thinks that it is perhaps already below the flood. For this reason amongst others he attaches importance to the American view of a time table.

7. A central part of the State Department's strategy would be [?grp. omitted] to Dulles and other Republican leaders. Dulles is sound on commercial policy and the State Department believe that Dewey will follow him. The Administration attaches importance to Republican support even if the Democrats win the election and they have been making efforts to obtain it by taking the business leaders into their confidence. But the State Department want to go further and ensure as far as possible, the continuity of the policy in the event of a Dewey victory. They believe that through Dulles the Republicans can be brought so much in agreement with the State Department's proposals that they would sponsor an agreed United States - United Kingdom programme reached before the election provided that those members of both parties who knew what was contemplated refrained from making the matter a campaign issue. It would be impossible for the Republicans openly to adopt a policy that was generally known to have been made by the Democratic Administration. Hawkins emphasised that the latter argument cannot validly be used in favour of waiting until after the election to obtain the desired agreement with the United Kingdom because if the Republicans won, the new administration would take so long to shake down that they could not possibly be ready for Congress by February.

O.T.P.

Commercial Relations & Practical Possibility.

J.L.M. 13/9 — M.A.M. 13/IX

[This telegram is of particular secrecy and should be retained by the authorised recipient and not passed on].

DIPLOMATIC (SECRET)

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE.

Earl of Halifax.
No. ~~4753~~ 4783
4th September, 1944.

D.2.53.a.m. 5th September, 1944.
R.11.5.a.m. 5th September, 1944.

6 6 6 6 6

TOP SECRET.

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5. State Department feel strongly that October 15th is a deadline because they want agreement with the United Kingdom on commercial policy before the election. They regard this as a necessary insurance against possible, though unlikely event of a Republican victory if the United States and United Kingdom could agree on a multilateral commercial policy convention, the State Department are confident that we could carry United Nations with us. Therefore the Americans have prepared a draft convention in the form which they would be willing to put to Congress in February when the hearings on the renewal of Trade Agreements Act are expected to begin.

/They...

Agriculture

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increased powers

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7. A central part of the State Department's strategy would be [?grp.omtd.] to Dulles and other Republican leaders. Dulles is sound on commercial policy and the State Department believe that Dewey will follow him. The Administration attaches importance to Republican support even if the Democrats win the election and they have been making efforts to obtain it by taking the business leaders into their confidence. But the State Department want to go further and ensure as far as possible, the continuity of the policy in the event of a Dewey victory. They believe that through Dulles the Republicans can be brought so much in agreement with the State Department's proposals that they would sponsor an agreed United States - United Kingdom programme reached before the election provided that those members of both parties who knew what was contemplated refrained from making the matter a campaign issue. It would be impossible for the Republicans openly to adopt a policy that was generally known to have been made by the Democratic Administration. Hawkins emphasised that the latter arguement cannot validly be used in favour of waiting until after the election to obtain the desired agreement with the United Kingdom because if the Republicans won, the new administration would take so long to shake down that they could not possibly be ready for Congress by February.

[OTP]

15

1944

UE

ECONOMIC.

UE 1194

16 SEP 1944

Registry Number UE 1194/143/53

TELEGRAM FROM
Lord Halifax, Washington

No. 5010.

Dated 14th Sept:1944.

Received in Registry 16th Sept:1944.

UE: Economic.

Article VII Discussions.

Refers to Washington telegram No. 4783, 4th September (UE 1078/143/53).

Mr. Hawkins has informed the Economic Adviser that as a result of consideration by United States Executive Committee, they have changed their proposals regarding that preliminary discussions by Mr. Hawkins should take place in London, followed by full dress discussions with the Americans led by Mr. Acheson, soon after election.

Last Paper.

UE 1076.

References.

(Print.)

(How disposed of.)

(Minutes.)

2 This is a reassuring tel, & renders ministerial consideration of U/Ltr tel no 4783 unnecessary.

Mr Hawkins will presumably visit a dft multilateral monetary in Oct, but there should be time to consult our views after we have seen his proposals.

R A B
10/9.

Please circ. a Dept (2pm)

[I have had copies sent to those members of the Ministerial Ctee who do not receive this distribution.]

This sounds a very sensible programme and I hope we shall be ready with something to say by Oct. 15th.

J K
16/9

J Colville 18/9

M
18/ix

Mr Sir D. Waley's request I sent him on a dft tel. with the attached letter.

Now see UE 1285. J C
23/ix

Ministry of Education
S of S for Air
Sept. 16
H.M. Treasury
Mr Carlson
Sept 21

(Action completed.) 30/9

(Index.) M.H. 27/2/45

Next Paper.

UE 1200.

UE 1194
16 SEP 1944

SPECIAL (ECONOMIC AFFAIRS).

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE.

Earl of Halifax. D. 12.05 p.m. 15th September, 1944.
No. 5010.
14th September, 1944. R. 11.25 p.m. 15th September, 1944.

333

IMMEDIATE.

My telegram No. 4783. UE 1070/143/53

Hawkins informed Economic Adviser privately to-day that, as a result of consideration by United States Executive Committee, they have changed their proposals regarding resumption of article 7 discussions. A telegram to Winant has been drafted which proposes two stages:

(a) preliminary discussions by Hawkins and perhaps two or three others on his arrival in London about October 15th, in which material endorsed by United States Executive Committee would be shown to you with a view to disclosing contentious points and perhaps referring them back to Executive Committee.

(b) Full-dress discussions with the Americans led by Acheson, soon after election. Hawkins is confident that telegram will be sent this week-end.

2. On reflection, Hawkins prefers the new strategy which will satisfy those who fear publicity since Hawkins' appointment will act as an adequate cloak, and at the same time attain the end of making progress in agreement with United Kingdom, to which Hawkins still attaches importance. Moreover Hawkins believes that there is much to be said for preliminary canter because it will give United States Executive Committee an opportunity to consider their position in the light of your views before full-dress talks begin. In his judgment, Executive Committee would be more easily moved in cases where compromise was necessary by this procedure than by beginning at once with full-dress discussions.

(OTP)

SEP
F.O. REGISTRY

OUT FILE

UE.1194/143/53

FOREIGN OFFICE, S.W.1.

21st September, 1944.

I enclose a draft telegram to carry out the conclusions of the second meeting of the Ministerial Committee on commercial policy.

Will you kindly let me know whether you agree.

(signed) J.E. COULSON.

Sir David Whaley, K.C.M.G., C.B., M.C.
Treasury.

FOREIGN OFF

Septemb

Despatched

egram No.5010

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NOTHING TO BE WRITTEN IN THIS MARGIN.

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UE 1194/143/53

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H.M. Ambassador,
Washington.

Telegram.

No.

Cypher.

Special Economic Affairs distribution.

FOREIGN OFFICE, S.W.1.

September 1944.

Despatched *M.*

IMPORTANT.

Your telegram No.5010 [of September 14th: Article 7. discussions].

We have not yet received any communication from U.S. Ambassador. In the meantime, however, Ministers have considered the programme and think that official talks in London in October followed by a higher level Conference, also to be held in London after the Election, would suit us very well. They have therefore decided that we should now invite U.S. officials to take part in further exploratory discussions on commercial policy in London next month.

2. Please convey invitation to State Department accordingly, unless you see any objection in view of the absence of any communication from Mr. Winant.

1944

UE

ECONOMIC.

UE 1200

16 SEP 1944

Registry Number UE 1200/143/53

TELEGRAM FROM Lord Halifax, Washington.

No. 5021.

Dated 15th Sept:1944.

Received in Registry 16th Sept:1944.

UE:Economic.

Last Paper.

UE 1194

References.

(Print.)

(How disposed of.)

Copy with Mr. Ronald's compts to Sir D Waley (Treasy)
Prof. Robbins (W.C.O)
Sir P. Liesching (D.O)

Sep 18

Tel Wtn 8311 - Sept 20 with Mr Ronald's compts to Sir P Liesching B/F
Sir D Waley Treasy

Sept 23

(Action completed.)

B/F 28/9

(Index.)

M.H. 27/9/44

Next Paper.

UE 1285/9.

Article VII Discussions.

Refers to Washington telegram No.5010 September 14th (UE 1194/143/53).

Message for Sir R. Campbell to Mr. Ronald stating that Mr. Hawkins has expressed a strong desire that Mr. Opie should be in London during the preliminary discussions. If it is decided that Mr. Opie should visit London, request early advice.

(Minutes.)

As the discussions will be on commercial policy, perhaps Mr. Ronald would like to have a word privately with Sir P. Liesching first. JCC 16/IX

I think I had better speak to Sir D. Waley & Prof. Robbins as well as to Sir P. Liesching. (with "Embassy" substituted for "Edmonds")

Could copies be sent to all three tomorrow with my office early morning, please. MKH 17/IX

Mr. Law now has been despatched. JC 18/IX

27692 F.O.P.

Mr. Ronald

FILES

[CYPHER]

FROM WASHINGTON TO FOREIGN OFFICE

D. 9.49 p.m. 15th September 1944

R. 7.45 a.m. 16th September 1944

Earl of Halifax,
No. 5021
15th September 1944

UE 7200

UE 11944 [14/3/53.] 16 SEP 1944

IMPORTANT

My telegram No. 5010.

Personal from Sir R. Campbell for Ronald.

Ambassador agrees that it would be [grp. undec. ? advisable to] inform you that Hawkins has expressed privately a strong desire that Opie should be in London during the preliminary discussions referred to in telegram under reference. In addition to your views on the advantage of having Opie in London, there is also the convenience of Embassy [redacted] to be considered. If you should decide that a visit at that time would be useful, I should be grateful for early advice. This would also assist Opie in making personal arrangements.

O.T.P.

F.O. REGISTRY

or later on as necessary.

16/IX

3.55/h 20/5

Registry No. UE 1200/143/53

OUT FILE

September

UE 1200/143/53

Draft. Tel. Cypher

Lord Halifax

Washington.

no. 8311

20th Sept.

FILES

Your telegram no. 5021 [of 15 September: visit of Mr. Opie].

Personal from Sir Ronald Campbell.

We too see advantage in his being here at that time.

If he would stay for 10 days or so and return here for second round of discussions, if this is agreed or later on as necessary.

NM

19/IX

Copies sent to
opts &
Sir P. Liesching
Sir D. Scott

NOTHING TO BE WRITTEN IN THIS MARGIN.

FROM FOREIGN OFFICE TO WASHINGTON.

G.8311. D. 3.55 p.m. 20th September, 1944.

OUT FILE

20th September, 1944.

& & &

Your telegram No. 5021 [of 15th September: visit to this country of Mr. Opie.]

Personal from Mr. Ronald for Sir Ronald Campbell.

We too see advantage in his being here at that time. We take it he would stay for 10 days or so and return here for second round of discussions, if this is agreed later on as necessary.

O.T.P.

17

1944

3.

UE

ECONOMIC.

UE 1285
28 SEP 1944

Registry Number: UE 1285/143/53

TELEGRAM FROM

No. Lord Halifax, (Washington) 5100

Dated 19th Sept.1944.

Received in Registry 22nd Sept. 1944.

UE: Economic

Article VII discussions.

Refers to Washington telegram 5010 (UE 1194/143/53). State Department have decided not to propose second step in paragraph 1(b) of telegram under reference. Gives reason. Their intentions remain as previously reported.

(Minutes.)

Last Paper.

UE1076

References.

UE1194/143/53

(Print.)

(How disposed of.)

c'd. Mr. Foley. (JAS. Wes.) Sept. 22).

Tel Wtn Sta 20, Sept 23

R. a/Ch 22/9.

7. a Dept 22/9

There is still no news from Mr. Winant. Meanwhile Sir D. Waley has sent me on a revised draft which I have despatched.

√2 23/9.

1) Sir D Waley Esq. & M Coulson, Sept 22.

RA 20/9

(Action completed.) 30/9

(Index.) M.H. 27/9/44

Next Paper.

UE1325

UE 1285
28 SEP 1944

UE

[CYPHER]

SPECIAL (ECONOMIC AFFAIRS)

FROM WASHINGTON TO FOREIGN OFFICE

Earl of Halifax
No. 5100

19th September 1944

D. 1.40. a.m. 21st September 1944
R. 11.45. a.m. 21st September 1944

8 8 8 8

TOP SECRET

My telegram No. 5010. UE 1194/143/53

The State Department have decided that they will not propose second step referred to in paragraph 1(b) of my telegram under reference because it would be impolitic to make a proposal for action after elections. Their intentions however remain as previously reported, and despatch of telegram to Mr. Winant is imminent.

2. Please treat this and information in my telegram under reference as strictly confidential. By inadvertence my telegram under reference was not marked secret.

O.T.P.

Foreign Office.

M.9.

Treasury Chambers,
Great George Street,
S.W.1.

22nd September, 1944.

FJE285/143/53

Dear Coulson,

I enclose draft telegram to Washington which I should be glad if you would despatch, if you see no objection.

Yours sincerely,

UE/1154/143/53

In reply to your letter of 21st inst., I think we agree that the enclosed draft (which the Chancellor has approved) would meets the case. A reference to the Cabinet telegram needs to be added.

S.D. Waley

J.E. Coulson, Esq.,
Foreign Office.

~~DRAFT TELEGRAM TO THE EARL OF HALIFAX,~~
~~Washington.~~

Important

For your information proposals about resumption of Article VII discussions outlined in your telegram No. 5010 will be acceptable to us.

143/53

UE 1285/~~1027~~G.

[CYPHER]

SPECIAL ECONOMIC AFFAIRS

FROM FOREIGN OFFICE TO WASHINGTON

D. 12.30 p.m. 23rd September 1944.

No. 8420.

23rd September 1944.

rrrrrr

IMPORTANT

Your telegram No. 5100 [of September 19th:]

For your information proposals about resumption of Article VII discussions outlined in your telegram No. 5010 will be acceptable to us. We have not yet received communication from Mr. Winant.

O.T.P.