

I have mentioned two of the objectives which the United Kingdom delegation desire that the Conference should attain in the financial sphere—namely, a recovery in prices and greater stability in the relative value of currencies; but there remains a third to which the United Kingdom delegation attach the greatest importance—namely, the abolition of exchange restrictions. At the Stresa Conference held nearly a year ago, and at many other international meetings, resolutions have been passed condemning exchange restrictions in general terms. But the United Kingdom delegation recognize that in practice exchange restrictions will not be abolished until the exchange difficulties which have given rise to them have been overcome. The United Kingdom delegation trust that the Conference will take positive action to attain this end.

A rise in wholesale prices of foodstuffs and raw materials and an increase of world trade would contribute powerfully to reduce exchange difficulties, and would assist in bringing to an end both stand-still arrangements in respect of short-term debts, and transfer difficulties as regards external indebtedness as a whole.

These exchange and transfer difficulties would also be greatly diminished by the resumption of normal international lending. Indeed, the revival of world trade depends largely upon the renewal of the international flow of capital, and every effort should be made to restore the stability and confidence required to render this possible. It must be recognized that certain States are not likely to view with favour the abandonment of their exchange restrictions unless they can be safeguarded against the danger that at the outset the reserves of their central banks might be weakened to an undesirable degree. And it would be Utopian to expect that the normal flow of international lending will take place until this danger has been surmounted.

The United Kingdom delegation therefore regard it as desirable that the Conference should examine some means whereby those countries which need financial assistance in order to enable exchange restrictions to be abolished could, under appropriate conditions, obtain it from the creditor countries which possesses an available surplus of gold reserves.

(b) *Economic Section.*

I have put forward the proposition that it is essential to bring about a recovery in the level of wholesale prices sufficient to yield an economic return to the producers of primary commodities, and I have suggested the action which might be taken in the financial sphere to bring this about. But financial action cannot operate successfully without an economic foundation. Loans cannot be justified if the borrowers cannot meet their service by exporting what they produce. A recovery in prices cannot be permanent without an increase in the volume of trade. Action in the financial field must therefore be supplemented by simultaneous action to reduce excessive tariffs and other obstacles to international trade. In the last four years the value of the world's trade has shrunk by nearly two-thirds. This has been partly caused, and certainly intensified, by the growing obstacles to international trade. The United Kingdom delegation are convinced that the full restoration of the world's economic life can only be achieved if existing facilities for international trade are increased.

In the first place, there should be not merely a cessation of further increases but a reduction of excessive customs tariffs wherever these occur. Customs tariffs may be imposed for the purpose of revenue, for the maintenance of a country's standard of living, and for the encouragement of forms of industry and production which are regarded as essential to the economic life of particular countries. I submit, however, that these considerations do not justify the maintenance by prohibitive tariffs of industries which cannot be efficiently and economically carried on. Further, subject to any special exceptions which the particular interests of individual countries may require, the protective element in any Customs tariff should not exceed what is necessary to place the efficient domestic producers in a position to compete with producers abroad.

The United Kingdom delegation have no wish to rule out any method of securing the reduction of excessive tariffs which may commend itself to the Conference, and they are quite prepared to examine any proposals that may be put forward for attaining this end by multilateral action. In their view any such proposal should conform to the following conditions—first, it must be effective in securing really tangible reductions of excessive tariffs; secondly, it must command a sufficiently general measure of support, and cover a wide enough area; thirdly, it must not impose upon low tariff countries sacrifices disproportionate with those demanded of other countries; and fourthly, it must not have injurious repercussions, or lead to tariff wars or other economic hostilities.

The United Kingdom delegation are, however, impressed by the diversity of the conditions prevailing in different countries, and by the large number of special considerations which would have to be taken into account in framing a Convention of universal application. In their view the reduction of Customs tariffs can best be achieved by a series of bilateral negotiations which take detailed account of the particular trade relations of the negotiating countries. They would accordingly urge that the Conference should do all in its power to promote the negotiation of bilateral agreements between countries with a view to the general reduction of excessive Customs duties. These agreements should be valid for at least some years to come, so as to give traders certainty for the future.

With this aim in view, we submit that commercial treaties should not be terminated before tariff negotiations are undertaken, and then only after every effort has been made to reach agreements by negotiation.

Reductions of tariffs obtained by bilateral agreements will be given the fullest effect by the application of the most-favoured-nation clause under which concessions granted to one country are shared by all countries entitled to most-favoured-nation treatment. It is our view, however, that this treatment cannot be maintained to countries which now enjoy its benefit, unless they are willing to adopt a reasonable policy in framing their own tariffs and in negotiating new agreements.