

THE UNITED STATES AND WORLD TRADE

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UNDER the terms of the Anglo-American Loan Agreement sterling is convertible by mid-July. Any country having a credit balance with Britain in respect of trade, or which has arrived at an agreement with regard to the repayment of part of its sterling balance, can now claim payment in dollars which it can spend in the U.S.A. instead of in the British Empire. The United States has pushed Britain into multilateral trading in advance of any European country, and therefore in advance of the development of any conditions which would make multilateralism less than disastrous for the British people.

Some of the barriers behind which the British people might find a little shelter from an American slump have been levelled to the ground at the very moment when all the prerequisites for such a slump have already developed. No one in America appears to doubt that there will be a slump this year, though there is still some discussion as to its extent. The optimists argue that it will be a comparatively short-lived "recession," leading to perhaps 7,000,000 or 8,000,000 unemployed at the worst, causing some reduction of prices at home and abroad, which will soon lead to a more balanced economy and a further upsurge in employment. But the number of observers who predict a more prolonged and dangerous crisis is growing. They argue that the idea that there will only be a short recession is based on the assumption that the main cause of America's difficulties is that prices have run ahead of wages and salaries, that people are progressively less able to continue buying the same amount of goods at present prices, that stocks of unsold goods are accumulating and that therefore there will be a short recession during which prices are forced down to a more reasonable level. But as Sir Arthur Salter pointed out in *The Times*, the supply of dollars in the hands of countries outside the U.S.A. is sharply diminishing, and if this supply reaches a low point just when the "recession" is beginning it may turn the short recession into a very long and intractable economic crisis.

Seen in their true proportion, the economic difficulties which have emerged from this war are infinitely greater and more baffling from a capitalist standpoint than those which emerged from World War One. Today America has two-thirds of the world's manufacturing capacity and about three-quarters of its investment capacity outside the Soviet Union. Within that greatly increased manufacturing capacity there has been a truly enormous development of the capital goods and durable consumer goods (motors, vacuum cleaners,

refrigerators, etc.), whose products could not possibly be absorbed by the American internal market plus its average pre-war overseas markets. If America is to maintain a high level of employment on the basis of its present balance of industries, it will need a truly gigantic volume of exports. (The alternative of cutting back the capital goods industries, changing the distribution of wealth between the classes, developing the backward areas of the U.S.A., thereby creating a greater internal consumers' market and an enlarged scope for consumer industries and services, would involve a drastic reduction of profits in the capital goods sector and is not very practicable on a capitalist basis). How then is the U.S.A. to maintain this huge volume of exports to an outside world ruined and devastated by the war?

In the Roosevelt period the faint outlines of this problem were seen and a policy was elaborated which presupposed that the United States would make extraordinary efforts to help the rest of the world to its feet, because there could not be a prosperous U.S.A. in a poverty-stricken world. So a policy of large-scale international assistance was projected. U.N.R.R.A. was to help liberated countries until they got their own agriculture and industry going; the International Monetary Fund was to supply them with short-term credits which would ease their balance of payment difficulties; the International Bank would give them loans for long-term reconstruction; and finally an International Trade Organisation would break down tariff barriers and free the channels of world trade. This policy would only have been feasible if a number of conditions were present. These were:

- (a) That after a brief period of transition, all economies could be restored to fair economic health.
- (b) That all were more or less at the same stage of economic development.
- (c) That the states playing a predominant role in international trade (above all the U.S.A.) were prepared to adopt national and international full-employment policies.
- (d) That the International Trade Organisation would develop rules for mutual trade between countries with differing social systems.

If, however, the United States rushed to scrap all internal controls, it was clear that no full employment proposals could be implemented, that there could be no guarantee that it would balance its exports by increasing the amount of its imports or by foreign loans, and that therefore the only effect of freer trade would be to spread American booms and slumps throughout the world.

That in fact is what has happened. Already the United States boom has terribly damaged its war-devastated neighbours. By lifting price control it automatically reduced the value of their loans. Although some of these loans were advanced for re-equipment,

foreign buyers were elbowed out of the queue by U.S. business men claiming preference in re-equipment. The value of foreign loans to their recipients shrank very considerably.

Under Truman American economic assistance began to be conceived not as a means of promoting economic recovery amongst countries of diverse social systems, but of promoting the restoration of capitalism everywhere. Nowhere was this more clear than with regard to U.N.R.R.A. Because of the poor harvests of 1945 and 1946 the U.N.R.R.A. authorities requested a continuance of relief until the 1947 harvest was gathered. But because it disliked the politics of the devastated allied countries which were receiving relief, the U.S. administration, with the British Government in shameful support, wound up U.N.R.R.A. This ought to be remembered at a moment when the U.S.A. is receiving fulsome praise for its offer of relief to Europe. It followed this up by presenting to the world a draft trade Charter which would rob undeveloped countries of power to develop their economies, which would impose the greatest hardships on countries which had been economically undermined by the war, and which proposed the most outrageous discrimination against countries with a state monopoly of foreign trade.

The draft Trade Charter actually proposed that a country which had a complete monopoly of foreign trade should undertake to import over a given period a specified amount of the products of other countries. The argument appears to be that if a country with a state monopoly imported, say, £100,000,000 of goods one year, £25,000,000 the next and £150,000,000 the next, it would be creating trade instability amongst the countries who normally traded with it. So it should be asked to import a minimum quantity over a period and endeavour to prevent wild up and down fluctuations in its imports. That looks fair enough until we ask the question, "Why should this proposition not apply to all countries?" After all a capitalist economy whose imports fluctuate wildly (like the U.S. economy between the wars) is also creating great trade instability.

The draft Charter also came out strongly against discrimination, or rather the U.S. interpretation thereof. It forbade countries like Britain to use their position as large importers to force other countries to take a certain proportion of British exports in exchange for the goods which Britain bought from them. It did not forbid the U.S., when it made a loan to another country, to force that country to buy only U.S. goods.

Naturally this outrageous document came in for a good deal of criticism at the London economic conference at the end of last year. The Australians insisted that it should stress the importance of every country maintaining full employment and that the Charter should permit countries to discriminate against the imports of any country that was disorganising world trade by failing to maintain full employment. The Czechs and the Indians won concessions for countries

carrying out a policy of industrialisation. Alas, poor old Britain and its special problems were never apparently dealt with at all.

This was the background to the opening of the International Economic Conference at Geneva, a Conference that was expected to agree to the lowering of tariffs and preferences and to finalise the Charter for submission to a conference in the Autumn. Since it opened, two events have taken place which expose once and for all the American cant about non-discrimination.

Australia is the most consistent critic of American trade policy, although it relied on that country as a great market for its wool. The U.S. has a native wool industry whose materials are poorer and whose costs are much higher than those of Australia. It is not a vital industry in the U.S. economy, and its restriction would not harm anyone but a few producers. There was a clear case here for a lowering of the U.S. tariff, so that the U.S. textile industry could buy wool on the most advantageous terms. There is, however, a powerful wool lobby which actually persuaded U.S. Congress to increase its tariff on Australian wool at the very moment when the U.S. representatives in Geneva were negotiating on its reduction. The question naturally arises: is the U.S. claiming the right to reduce other people's tariffs and preferences while claiming the right to increase its own? Is the world to be again plunged into a disastrous crisis by a great flood of U.S. exports for which the U.S. refuses to accept payment by admitting more imports?

But wool was only the curtain raiser at Geneva. This was followed by the development of the economic implications of the Truman doctrine in the speeches of Acheson and Marshall. These speeches made it clear to the world that while the U.S. administration will fight against anyone discriminating against America, it proposes to discriminate against whomsoever it pleases. Seldom has a government behaved with such unconcealed effrontery. For months it has been declaring that countries must only trade with each other on commercial market principles, and that for Britain to give its dominions preferences is political discrimination which must be abandoned in the interests of freer world trade. It protested against the Russian-Swedish trade agreement for the same reason.

Along comes Mr. Acheson, late Assistant Secretary of State, and announces a world-wide policy of economic discrimination. He suggests that loans should be given by the U.S. on the basis of the sharpest possible political discrimination. "Free peoples who are seeking to preserve their independence and democratic institutions against totalitarian pressures, *either external or internal*, will receive top priority for American reconstruction aid," he announced. Note the phrase "internal pressures"—a euphemism for the advance of the working class to political power in any European country.

Further, Mr. Acheson announced that the U.S. would push ahead

with the "reconstruction of those two great workshops of Europe and Asia—Germany and Japan—upon which the ultimate recovery of both continents so largely depends." This was followed by Mr. Marshall announcing the same policy in different words. Of course, some political nitwits have noted that Mr. Marshall would be prepared to extend assistance to all countries in Europe including Russia. But on what terms? The terms acceptable to the rulers of a capitalist Belgium could easily be made impossible of acceptance by any state with a planned economy. Mr. Marshall could then plead that he was not discriminating—was he not offering assistance to all on the same capitalist terms?

Let it be clear that the Marshall policy buries the Roosevelt policy of world reconstruction. There was always of course a strong infusion of American self-interest in Roosevelt's policy, but it did envisage forms of economic agreement between the socialist and the capitalist worlds. The Marshall policy is a declaration of economic war against the socialist world, against all countries advancing to socialism, against the progress of the workers' movement everywhere. Yet there are people in the British Labour movement who will pretend that it is a great policy of benevolence and not a policy of international counter-revolution, pursued by the same forces that are now so fiercely attacking American trade unionism. This is a policy aimed at stopping the advance of the workers' movement everywhere. It cannot succeed, however, on the basis of U.S. strength. It needs above all the co-operation of the British Government. This co-operation must not be given. On the contrary the British Government must oppose the policy of U.S. domination with a policy of world co-operation.

Firstly, in view of the almost universal recognition of the imminence of a U.S. slump the British Government should call for an emergency meeting of the Economic and Social Council of the United Nations to consider preventive action. The U.S. cannot logically object. It is pledged by its membership of the United Nations to take international action to maintain full employment. Let it now translate its professions into practice.

Secondly, the British Government ought to tell the U.S.A. that before it makes vague promises of more U.S. loans it ought to allow all countries to conserve the loans which they have already received. The convertibility of sterling should be postponed and the right of Britain to cut U.S. imports which it cannot really afford should be given without Britain having to make similar cuts from non-dollar countries.

Thirdly, Britain must go ahead with its trade agreements with all European countries, but particularly with Eastern Europe from which the first instalments of wheat and timber may soon be expected. It must cease under-writing American counter-revolution in Hungary.

Fourthly, it must fight for a revision of the trade charter so that

all discrimination against planned economies shall be eliminated. No doubt a planned economy could reasonably be called upon to tell the world what minimum amount of goods it proposes to buy for a period ahead. But so must the United States, for it has been the great fluctuation in its purchases in the past that has been the cause of world-wide instability.

Fifthly, if Britain wants to discuss the economic future of Europe as a whole, it must not engage in "under-the-counter" discussions with France or any other state. Let it call for a plenary meeting of the European Commission of the United Nations and start the discussion there.

Last, but not least, let it call the Dominions and India together to discuss mutual trade relations. If the State of New York can give special trade preferences to the State of Texas as compared with the rest of the world, Britain is entitled to have special trade relations with New Zealand or India as compared with the rest of the world.

In short, if the United States will return to the policy of Roosevelt and work out a policy for world economic co-operation, Britain will be ready to participate, but it must not co-operate in a counter-revolutionary policy aimed at destroying the working-class advance to socialism.