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STEPS TO MULTILATERAL TRADE AND PAYMENTS<sup>(1)</sup>

Statement<sup>(2)</sup> submitted by the International Chamber of Commerce  
a non-governmental organization in category A consultative status

The Secretary-General has received the following  
statement which is circulated in accordance with  
paragraphs 22 et 23 de la Résolution 288 B (X)  
du Conseil :

1. The prime objective of economic policy to-day should be the rapid restoration of a smoothly working system of "multilateral" trade and payments over as large an area of the world as possible, in other words, of a vast international network in which goods and services are freely interchangeable and in which a balance is struck and settlements are made, not within each pair of countries and not even between groups of countries, but between all the innumerable commercial and financial transactions concluded throughout the whole area.
2. Few can realize as acutely as the business man actually engaged in international trade what the lack of such a "multilateral" system means in wasted

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(1) See item 6 of the Provisional Agenda of the Economic and Social Council (Doc. E/1680).

(2) This statement was adopted at the 73rd session of the Council of the International Chamber of Commerce, Paris, 13-14 June 1950, with the Indian delegation abstaining from voting.

effort and frustration. He knows from experience that bilateral barter, exchange control, quantitative restrictions, and all the other expedients of present-day restrictionist policy spell for him missed opportunities and relative stagnation. He feels himself to be producing less efficiently less of the earth's goods than he could if he were working under the spur of market incentives and with more elbow-room for expansion and initiative. It is therefore for him a matter of the greatest urgency to return to the mobility and freedom of a multilateral system of trade and payments.

3. The I.C.C. also believes that this return would be facilitated if greater reliance were to be placed on the flexibility and adaptability of natural economic forces, without excessive emphasis on statistical estimates based on past data.

4. The time is ripe to-day, the I.C.C. believes, for a decisive move towards this greater freedom in international economic relations. What might be called "the reconstruction period" is largely over. Almost everywhere economic conditions have immensely improved. There are of course difficulties and obstacles, but these should not be allowed to prevent action even if they inevitably restrict its full effects.

5. While pressing for immediate action, the I.C.C. fully realizes that the goal of a free "multilateral" system of trade and payments cannot be reached in a single stride. If the major adjustments required are to be carried through without undue strain and disturbance, there must be stages, but they should be rapid stages.

6. The European problem, with all its ramifications in overseas territories, is a world problem and must be treated as such. It is therefore of paramount importance that 1952 should not find the world unprepared for its coming. Europe must do all it can to stand on its own feet by that time. But if the great progress made with "Marshall Aid" is not to be jeopardized, it is essential that here and now all the countries concerned should start working out a coherent policy of close economic co-operation, based on multilateral trade and freedom of payments.

7. In the following recommendations, the I.C.C.I. outlines what it believes to be a practicable program of action for the immediate future, and by "immediate future" it has in mind roughly the period up to 1952. It is convinced that more can be done in that short time than is commonly imagined and that to delay further would be to court the onslaught of a depression with a disastrous return to the defensive machinery of autarchic controls and restrictions. It may be said at the outset, however, that all measures contemplated presuppose and demand a continuance of sound internal financial and budgetary policies and of constant vigilance against the latent inflation that has by no means fully disappeared.

A. Removal of quantitative restrictions.

8. Quantitative restrictions are a great hindrance to the resumption of healthy international trade on a multilateral basis. Their removal must therefore be pressed forward vigorously in every part of the world.

9. An intra-European trade, the present policy of the O.E.E.C., whereby quantitative restrictions are abolished for an increasing percentage of food-stuffs, raw materials and manufactured products imported by private traders, should be continued, but this policy should be speeded up, amended and broadened at a number of points. Government buying should not be placed in a special category. The distinction between "essentials" and "non-essentials" should be dropped. Greater attention should be paid to the chain linking the raw material to the semi-finished and finished product. It would be desirable that all countries should as far as possible free the same products at the same time. The process of elimination should furthermore be combined with successive and, if possible, uniform increases of all quotas for products remaining on the restricted list. Exports of raw materials should likewise be freed, so that all may have access to the raw materials they require at equal prices.

10. In removing quantitative restrictions, European countries will have to undergo considerable adjustments of a temporary nature which might in some cases be difficult to overcome. But these adjustments are merely growing pains leading to greater economic health.

11. In order, however, to cushion the effects of these adjustments during the transition period, it is essential among other things that the area of freer

trade cover not only the countries of western Europe but also the overseas territories to which they are linked by economic and political ties. Greater flexibility must also be introduced into the arrangements governing emigration and immigration. This is a vital matter for many countries.

12. It is also essential that European imports from outside Europe be set free from quantitative restrictions and that Europe's exports be enabled to expand unhampered by similar barriers practiced elsewhere. Indeed, if the multi-lateral pattern is to be restored, extra-European countries must eliminate quantitative restrictions also among themselves, for then only can the mechanism of "triangular settlements" come into effective operation.

#### B. Free exchangeability of currencies

13. The suppression of quantitative restrictions will carry us only a short way towards the final goal unless it is combined with free exchangeability of currencies, and the removal of exchange control. Action in both these fields must therefore go hand in hand.

14. Recognizing the fundamental and far-reaching difficulties which surround this problem and welcoming every constructive step forward, the International Chamber of Commerce views with sympathetic interest the formation of the European Payments Union and assumes that it will rapidly lead to the free exchangeability of currencies over the whole area. Having in mind the historic role of the pound sterling in international trade, the I.C.C. is glad to note that the principle of the European Payments Union has been accepted by the United Kingdom and that sterling will thus become more widely transferable.

15. The I.C.C. anticipates that the resulting improvement in currency relations between the various countries will soon create suitable conditions and breed sufficient confidence to permit the beginning of free capital transfers within the area.

16. Assuming that the payments arrangements between the western European countries and their associates are successfully consummated, the next step will be to extend exchangeability to current transactions with the United States dollar area. This most necessary and desirable goal can best be attained through the continuance of sound internal financial and budgetary policies.

17. The freeing of the pound sterling is the key to the solution of the problem of world-wide currency exchangeability. The principal obstacle standing in the way is the unresolved problem of the accumulated sterling balances. This has been recognized in a statement issued at the Tripartite Conference, Washington, D.C., September 1949. It is urged that all governments concerned continue their efforts to find a solution to this most difficult subject, without which there can be no return of free multilateral trade. It would in any case be of great benefit to the whole world if the City of London could once again play its part as a world financial and trading centre.

18. Another key problem is the reconstitution of the monetary reserves of central banks. If there is to be world monetary equilibrium, every effort must be made, if necessary by international stabilization loans, to build up these reserves.

#### C. Reduction of Customs Tariffs

19. As has already been stated, quantitative restrictions are a great hindrance to the resumption of healthy international trade. But where customs tariffs, through excessive rates of duty or through combinations of ad valorem and specific duties or simply through administrative procedure, practically prohibit the entry of certain products, they fall into the same category and should be treated on the same footing. Such excesses should immediately be corrected and the effective import duty brought down to a level consistent with a competitive flow of trade.

20. The International Chamber of Commerce recognizes that the United States has given tangible proof of its readiness to lower barriers to incoming trade by negotiating tariff reductions under the General Agreement of Tariffs and Trade and under its own Reciprocal Trade Agreements Act. One of the greatest contributions the United States can make to the furtherance of its avowed objective of freer multilateral trade throughout the world lies in the substantial and effective reduction of its customs tariff and in the opening of its vast market to competition from outside. As the world's largest creditor and largest single producer, it cannot hope to see an expanding international economy established at a high level of economic activity unless it is willing to buy

abundantly from abroad.

21. In Europe, the removal of quantitative restrictions and exchange control must have first priority. It is nevertheless essential that the effective incidence of customs tariffs should not be increased and that where negotiations for customs unions are already under way, these be pushed forward resolutely. Customs unions, even limited to a small area, can be valuable stepping stones to broader union, but they must in no case build up higher protective walls against trade with the outside world. (2)

22. Administrative procedure and documentary requirements involved in the assessment and collection of customs duties and in the passage of goods and passengers across frontiers are often greater hindrance to the flow of trade than high tariffs. Simplification and standardization are everywhere urgently needed. The I.C.C. therefore renews with added insistence the recommendations on this subject it put forward last year in its resolution and report on "Invisible Barriers to Trade and Travel" (Brochure 130).

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23. This brief outline of proposed action in the field of commercial and monetary policy aims at setting out the broad framework within which all other necessary measures can be taken. A most important further aspect of the problem relates to the revival of international investments. This question of investments and capital formation is discussed in detail in a separate statement the I.C.C. is issuing at the present time.

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(2) The Swiss delegation abstained from voting on this paragraph.