

The time is approaching when we shall be having discussions with America about long-range economic collaboration. The matters at issue are quite distinct from those of immediate post-war relief (referred to in W.P. (42) 212); it is important to keep them distinct in negotiations, since they should be handled in quite a different way.

The subjects likely to be discussed are many, ranging from matters vitally affecting our own economic prosperity and even survival in the coming decades to highly idealistic projects. They include such matters as tariffs and other trade barriers, export markets, the relation of creditor to debtor nations, stabilization of commodity prices, control of the "trade cycle", public works, international investment, access to raw materials, the development of backward regions, the future of South America, the defence of South Eastern Europe against the economic domination of Germany, "expansionist" monetary policy, the improvement and re-direction of world agriculture, labour standards, nutritional standards, hygienic standards, etc., etc.

Besides the question what ought to be done in each of these fields, which will be discussed by the experts, there is the question of who ought to do it. Where is the responsibility for initiative and control to be vested? Is a very widely based international body to be responsible? Or should the ultimate power be retained, if possible, by a narrower group, such as the English speaking nations?

On the one hand it is clear that our principal allies will expect to be taken into consultation and even into partnership in many matters. If some are admitted, the exclusion of others will be difficult; where can the line be drawn? The group of "United Nations" is already large and heterogeneous, and may become more so before the end of the war.

On the other hand there is danger that such a large group would be dilatory and ineffective; and that our own vital interests would be jeopardised.

One principle at least should be clearly laid down, namely, that before we throw the door open wide to larger conferences, we should in bi-lateral conversations with America reach the greatest possible measure of agreement on all vital questions, so as to have an agreed policy to recommend to the other nations.

A second principle has been suggested, which might save us from an awkward dilemma. Could not this large range of matters be divided into two classes, namely those in which ultimate control could appropriately be retained by the English-speaking group and those to be handled by the larger group?

There are three grounds on which such a division could be justified.

1. In some cases prompt, single-minded and resolute measures will be needed if a scheme is to work at all; such are commodity price stabilisation and trade cycle control. By contrast tariff reductions can be carried out by gradual stages and are better late than never.

2. Some schemes may be regarded as essential to the maintenance of any kind of world order; such are some well-regulated system of foreign exchanges, some steadiness of world prices and the maintenance of world purchasing power. By contrast the raising of labour standards and welfare standards, desirable though these undoubtedly are, must be regarded as amenities and embellishments.

3. Above all, under some schemes the main initiative and burden must be with the international body undertaking them, the separate nations being largely passive beneficiaries, under others the separate nations have to agree to undertake important tasks, perhaps imposing tax burdens or adversely affecting certain classes of their citizens.

It so happens that by each of these criteria, the schemes which we have been trying to formulate here, e.g. Mr. Keynes' plan for a "Clearing Union", the plan for commodity buffer stocks, the plan for an International Investment Board would all be placed in the first group. They require prompt action, belong to the

minimum core of action essential to world order, and do not impose burdens on the separate nations or require much initiative by them.

They could be most effectively administered by a small like-minded group of nations and could be offered to the world as a contribution by them to world order. Together they might be called the "Anglo-American Service". They could be represented as our first step to implement the Atlantic Charter.

Having resolved on these necessary measures, we could then invite Russia, and our other allies in whatever order diplomacy suggests, to confer upon all the other matters of international collaboration. And we could truthfully claim that the Anglo-American Service, so far from prejudicing the wider questions, provided a minimum framework of security which would make progress in the discussion and execution of other measures much easier.

Meanwhile we should be retaining sufficient power and leverage for ourselves to make sure that the larger group did not override our vital interests and that, if more ambitious schemes failed after all owing to intractable differences of outlook, the Anglo-American Service would still be there to ensure some improvement in international economic relations in the really essential matters.

If it is agreed that some division of labour of this kind is desirable, we ought to put the case for it to the Americans at the earliest opportunity, for example at the forthcoming conversations. We do not know whether they would be willing to form an inner group with ourselves and the Dominions. Indeed we do not yet know how closely they are willing to collaborate at all. We know that they have been doubtful whether we should take a sufficiently broad view; we may guess that these doubts have been inflamed by arguments over the Consideration Agreement and the Wheat Agreement; there is the danger of this drifting to the view that they ought to bring in other nations as a safeguard against our being too self-regarding. And at any time they may take independent steps to do so.

If we are successful in dispelling this kind of

of suspicion at the forthcoming conversations, it would be a good moment to propound the idea of the Anglo-American Service.

If we are to make a strong case on its behalf provisional approval by the Cabinet is clearly necessary.