

a protocol giving most-favoured-nation treatment to Japan on a reciprocal basis. We took the line that, as we had already told the State Department, it was impossible for us to commit ourselves in any way until we had had an opportunity of consulting both the other Commonwealth countries and British industry.

4. In the meantime we sent telegrams to the Governments of the Commonwealth countries and also of the European signatories to G.A.T.T., sounding them as to their attitude to the American request. In reply we received a considerable volume of support for at least postponing the consideration of the question. The result was that in the event the Americans withdrew their proposals for the collection of signatures at Geneva to a draft agreement, or for the appointment of a sub-committee of G.A.T.T. The United Kingdom Delegation was, however, authorised to discuss the question purely informally and without any commitment whatever with the American delegates outside the Conference, advancing the argument that other considerations apart we could not consider ourselves granting or supporting the grant by other nations of most-favoured-nation treatment to Japanese exports until we had a firm guarantee against either S.C.A.P. or the Japanese engaging in commercial malpractices such as multiple exchange rates, concealed subsidies and so on.

5. Apart from this question of an exchange rate for the yen, there are obvious political implications to be considered, both here and in the Commonwealth. Australia, New Zealand and South Africa have taken the same line as the United Kingdom at Geneva, and the first two Governments, as well as the Indian Government, have stated that in their view the F.E.C. is the correct body to consider and formulate policy, and that nothing should be done to prejudice its rights in the matter.

6. In the event, the Americans did not wish to pursue the matter even informally at Geneva. They have, however, now raised the matter again, and advantage should be taken of the meeting of Commonwealth Prime Ministers to discuss the next step with Commonwealth representatives.