

# Part One: Two Terrible Decades (synopsis)

## Preface

Engines of prosperity

## The Argument: ICC's Century

Accounting for the role of large international businesses – MNEs – in the political economy of trade during a turbulent century needs a broad canvas and an appreciation of motives:

- A history of 20<sup>th</sup> Century Trade Relations
- Public Interest and Private Interest

## *THE WORLD BEFORE THE GREAT WAR*

### Chapter 1: The world before the Great War

A century ago, before the Great War, 'international business' was a successful new idea. Changes in technology and a stable payments system based on gold helped it to spread through MNE investments. For the first time, markets started to 'globalize'.

### Chapter 2: Nationalism and internationalism in the USA

ICC's history between the Wars can be read as an attempt by US business (especially) and their European counterparts to work around contradictions in US economic policy. These were the result of an unresolved struggle in the contemporary political economy of the US.

## *A: FOUNDATION AND EARLY INFLUENCE*

### DEBT, REPARATIONS AND 'ROAR'

### Chapter 4: The foundations of ICC

The ICC's second, successful, conception came five years later at a more sober meeting hosted by the US Chamber of Commerce in Atlantic City, New Jersey, in October, 1919. The Organising Committee appointed in 1914 had adopted a new, more pressing political agenda.

- *Financing reconstruction* Western Europe after the Great War was partly destroyed and mostly bankrupt. The allies had borrowed large sums from the US, which now demanded repayment. To President Wilson, their plan to meet some of their obligations from German reparations was part of the problem, not part of a solution.
- *The US withdraws from the League* President Wilson left it too late to compromise with Congress on the terms of the Versailles Treaty. So he also lost his chance to join the League of Nations. The moment epitomised an isolationist trend in the US political economy after the War.
- *A private enterprise approach* US business leaders, represented by the US Chamber of Commerce, endorsed the Wilsonian idea that market opening and the resumption of 'normal business' was the best way to encourage European growth and reconstruction. Still, many

preferred a more expansive response to Europe's needs. They wanted, if not government loans, then government support for US private investment.

- *The US Chamber invitation* The organisers of the Atlantic City conference wanted to impress on US government and public opinion that, to take advantage of the opportunities offered by European reconstruction — and to meet its moral obligations to its former allies — the US had to continue to offer trade credits. Around this point they were able to define a coincidence of interests developed across the Atlantic.
- *Debate and decision at Atlantic City* The Atlantic City Conference produced a number of rhetorical resolutions on finance, commodities and trade that did little more than summarise discussions. The United States delegates committed to nothing except good-will. This was, however, what the European delegates had expected; even planned for.
- *The Permanent Organization* Although not the primary purpose of the meeting, the one concrete result from Atlantic City was the (second) agreement to establish a permanent international organisation of Chambers of Commerce. The delegates also agreed an outline structure for the future organisation based on French ideas.

#### Chapter 5: ICC's Constitutive Congress, Paris 1920

The chief purpose of the Congress was to adopt the constitution as outlined at Atlantic City and refined since. But still the focus of discussion, as in Atlantic City, was on reconstruction, credits and reparations.

- *ICC Headquarters* There was initially no decision taken on the location of the headquarters or on the budget. Still, delegates agreed the Organization should locate in the same city as the headquarters of the League of Nations (temporarily, Paris).

#### Chapter 6: Into the breach: ICC's first Congress

In 1920, members of the new ICC wanted above all to return to a stable environment for the resumption of international trade. But disputes among the allied governments over reconstruction, debts and reparations stood in the way of collaboration needed to restore 'normal' conditions. So ICC turned its attention first, to finding a solution to those problems.

- *Debts and reparations* Allied disputes over German reparations payments had begun even before they met at the Versailles peace conference.
- *The London Congress* ICC decided to hold its first Congress in London in late June 1921. The Chamber began an energetic program of work on recommendations to governments that the Congress would endorse. Twenty-six of the resolutions concerned business contributions to reconstruction and the restoration of normal business conditions. The twenty-seventh, still relevant today, established the first private international commercial arbitration service.

#### Chapter 7: Reparations: ICC's 'business solution'

The "business solution" to the problem of reparations was the most remarkable episode of economic diplomacy between the wars. As the dispute over reparations deteriorated into an armed stand-off in the Ruhr Valley, it threatened the collapse of the German economy. (France, too, struggled with debt and a weak currency). Yet a few years earlier, Germany had been the world's second largest industrial economy. The dispute had become a threat to world prosperity.

- *The origins of the plan* The ICC International Finance Committee set to work to make sense of the League Reparations Commission decisions, as the London Congress instructed. Meanwhile, behind the scenes, US Secretary of State Charles Hughes began to press France and the UK to agree to a different plan. Possibly prompted by the US Chamber of Commerce (possibly known to ICC President Clémentel), Hughes suggested private

bankers should review the reparations claims and come up with a practical funding solution.

- *ICC's Rome Congress (1923)* The Rome Congress of ICC opened just two months after the Ruhr occupation began, in March 1923. Benito Mussolini was "Honorary Chairman". (He sat on the stage, accompanied by blackshirt guards). The US delegation came armed with a determination to pursue the "business" solution that they had proposed by Secretary Hughes.
- *The Dawes and Young committees:* The United States nominated Chicago banker Charles G. Dawes, the first Director of the US Office of the Budget (now Office of Management and Budget), as chair the first of the two committees of experts. He was joined by three prominent members of the ICC.
- *The limits of the 'business solution'* Governments never rescinded the Young Plan's "final settlement" of reparations claim. But neither did they fully honour it.

## ***B: THE BUSINESSMAN'S LEAGUE***

### DISINTEGRATION AND DEPRESSION

#### Chapter 8: Economic Recovery to Collapse (1925-1929)

ICC did not neglect its 'core' mandate during the turbulence of the early years. Still, it was not until 1925 that ICC was able to turn the focus of its attention from debts and finance to international trade.

#### Chapter 9: ICC and the Economic Committee of the League of Nations

ICC's early prominence on international economic policy was due to its close cooperation with the economic office of the League of Nations.

- *The League's puny economic mandate* If, nowadays, the League of Nations seems a grand but hollow gesture, the fault lay in its constitution.
- *ICC's and the EFO work together* Sir Arthur Salter, the Director of the League's EFO, hoped the private sector would express its views forcefully on matters such as trade and financial policy reforms. He wanted business to press governments to collaborate on and adopt recommendations that emerged from the EFO Committees. So he welcomed an approach from Etienne Clémentel, ICC's foundation President, and Édouard Dolléans the ICC's first Secretary-General, to work together.
- *The Geneva Economic Conference (1927)* The peak of the ICC's influence with the League — and of its impact on pre-war customs and tariff policy — was at the 1927 World Economic Conference, held in Geneva at League headquarters.

#### Chapter 10: The Great Depression and War

The most common story about the spread of the Great Depression is mostly wrong.

- *The great gold bust* Before the Great War, the Gold Standard had played an important part in establishing exchange stability and credible monetary policy. But governments' mishandling of a return to gold-backed currencies in the late 1920s precipitated currency, and market, collapse.
- *ICC misses an opportunity (Washington 1931)* The great US trade negotiator, Cordell Hull, said of ICC's 1931 Washington Congress: "The outward discussions and the resolutions of these meetings were equivocal, colourless and, in some instances, almost pointless...". ICC hadn't swung at the rising trade barriers. But it hadn't struck out yet, either...

- *The London Economic Conference (1933)* As it had done in 1927, ICC made heroic efforts to compile data on trade and exchange restrictions around the world in preparation for the League of Nations' 1935 World Economic Conference in London.
- *ICC's frustration (1931-1939)* ICC was by now inured to reversals on trade liberalisation. Still, it continued strongly to advocate exchange stabilization as the basis for a general 'disarmament'. It joined with the US Carnegie Endowment to develop economic analyses supporting its policy recommendations. But a narrow economic nationalism fed on the market instability of the 1930s. The pleas of international business could do little to prevent another war.

## C: OTHER PERSPECTIVES

### Chapter 11: Trade and peace

ICC's members have been called "Merchants of Peace". But is the tradition that trade promotes peace really supported by the facts over the century of ICC's work?

### Chapter 12: ICC and international cartels

Through the first half century (or so) of ICCs history, members held two divergent views about the organisation of international markets. One was the liberal market, free-enterprise view in which competition rationed demand and ensured supply. The other was a more interventionist (or 'rational') view that favored agreements among suppliers. In the depths of the Depression, ICC briefly 'swapped sides' in the debate to favor cartel organization.

### Chapter 13: Beyond the Atlantic

The first part of this history seems to treat the 'world' as the trans-Atlantic region. That is because it was the home of most international business at the time. The course of the major economies outside the Atlantic basin in the period before the World War of 1939-45 is nevertheless a prologue to their more prominent part in the post-War history of ICC.

### Chapter 14: ICC Member services (1939)

ICC exists to help enterprises do business across a border. In practical terms, this means providing services to help members (and others) overcome the mismatches and inconsistencies in national business and regulatory practices. It means securing business assets in foreign markets. It also means building 'bridges' to smooth contacts, disputes and even transport between countries.

- *The Membership of ICC in 1939*

### Chapter 15: Clémentel's last word

The last official message to ICC from its founding President, Etienne Clémentel, was on the occasion of its fifteenth anniversary at the Paris Congress of 1935.

## D: PORTRAITS

*In the foyer of ICCs bright new headquarters on the avenue du Président Wilson in Paris are portraits of its presidents, displayed along a wall curving toward the elevator...*

### Chapter 16: Etienne Clémentel

France's wartime materiel chief, Commerce Minister and ICC's first President

Chapter 17: Édouard Dolléans

ICC's first Secretary-General was an unlikely candidate; a socialist labor historian

Chapter 18: Walter Leaf

A 19<sup>th</sup> century British liberal merchant, banker and scholar was ICC's third President

Chapter 19: Albert Pirelli

The fifth President of ICC was a scion of the famous manufacturing family best known for his influence in the League of Nations

Chapter 20: Viscount Kano Hisaakira

A long-standing member of ICC Council; a Japanese nobleman, an extrovert anglophile, and a remarkable post-war career.