economy would gain in strength as marginal producers in import-sensitive industries are impelled to switch to other and more profitable pursuits. As imports rise, and assuming that other countries also lower trade restrictions, there would appear a tendency for exports to increase in payment for imports. This increase in exports would be a reflection of stronger foreign demand for specific American goods, such as products of the automotive and engineering industries, for example. This increased foreign demand will cause more resources to be attracted into existing and into new export industries, the latter springing up as new needs and opportunities are discovered in foreign markets. Foreign investment opportunities also would multiply, and domestic resources, especially capital goods, will be absorbed by such investments. With progressive easing of multilateral trading restrictions, the effect of freer trade will also be felt in the less specialized export industries, those which hitherto may have produced almost exclusively for the home market. With the increase in opportunities created by these developments, marginal producers initially displaced by greater import competition should find adaptation not beyond their reach, especially if appropriate assistance is made available.

With obstacles to freer trade being removed gradually and in conjunction with appropriate programs of assisted adaptation—other things remaining equal—a process of economic expansion will get underway at home and abroad. As expansion of production and trade continues over time, it may be possible for the Government to reduce its expenditures for various types of foreign economic assistance including military aid.

Foreign economic aid—in the absence of any significant freeing of trade that would allow an increase in the volume of goods exchanged between the United States and aid-recipient countries—may be considered as a concealed subsidy to certain groups of domestic producers. This subsidy serves to support those marginal elements of American industry that would stand to suffer from increased foreign competition. Such support is granted at the taxpayers' expense. If these marginal producers could adapt themselves to a new competitive situation involving the freer admittance of foreign goods, with or without assistance from the Government, certain industries in the aid-recipient countries could increase their exports to the United States. To the extent that these foreign producers would be able to take advantage of relaxed American protection, they could contribute to the prosperity of their own countries, with the result that the need for further substantial foreign aid may be lessened, with corresponding reductions in U.S. outlays.

A good deal of U.S. foreign aid has taken the form of orders placed with a foreign country's capital goods industries for production of weapons and materiel. Various national engineering and related industries have been strengthened in that way. When at some future point in time the present danger should subside, these national industries may be expected to continue producing durable goods, but of a nonmilitary character. If the respective internal market should prove too small for keeping these industries busy, they will seek outlets for their products in world markets. These efforts in the first instance will generate sustained pressure for freer trade on a global basis. With greater productive capacity all around, the need for