

that the United States seeks a stable world order in which each nation is free to pursue its own destiny, safe from both external aggressions and those forms of internal subversion that if successful would aid the interests of powers hostile in the United States. Such statements had a very specific meaning in the first two decades after World War II. They took policy in the form of our aid to the reconstruction of Western Europe, and the containment of Soviet expansion, in efforts to promote the economic growth and political ability of the underdeveloped countries. Today all of that is changing rapidly.

A variety of factors account for the changing political scene: the emergence of China as a prospective major military power, the increasing political independence of Western Europe from the United States, the analogous growth of a restricted political independence in Eastern Europe, and the increasing evidence that there is little—and I would virtually say, no—relation between economic aid and political stability in underdeveloped countries. All of these issues offer testimony that the political vistas before us are likely to be incompatible with present world views, acted on not only by the U.S. Government, but also by the governments of other major countries, whether they be friendly, hostile, or neutral to the United States. In a world where the United States and the Soviet Union are dominant but not paramount powers, with China emerging as a lesser, but nonetheless formidable world power, and the underdeveloped countries clearly marching to their own drummers, our preconceptions about a world order based on the earlier uneasy Soviet-United States balance are becoming increasingly incompatible with reality in the world as it faces us today; and will, I suggest, become more and more incompatible.

Now these are, of course, far broader issues than U.S. trade policy which is our concern today. But I do not agree with Mr. Cooper in saying that it is useful to insulate economic policy from politics. My disagreement is not a matter of value systems, I just don't think it is possible to divorce trade policy from politics.

Therefore, I believe that the changing world political scene is among the basic factors which should influence the nature of trade policy decisions that the United States does make. And I suggest that this factor must lead us to a thorough reconsideration of our foreign trade, aid and investment policies.

U.S. international economic policy is now based on the concept of a liberal nondiscriminatory world trading system, with four exceptions to the general principle:

First, we maintain special barriers to trade with unfriendly nations.

Second, we maintain special barriers to products that can compete too effectively with high cost U.S. production, whether of farm or factory, as Mr. Witt points out in his testimony.

Third, we accept discrimination as long as we consider that the discrimination helps our political interests—the EEC, the EFTA, the proposed Latin American Common Market, the Central American Common Market, and other blocs, which I am sure will emerge and which we will accept.

And, fourth, we also intervene in capital markets and in the regulation of U.S. Federal procurement policies to protect, as deemed desirable, the U.S. balance-of-payments position.