

important part of the total is made up of investment in manufacturing industry in Canada, Britain, Western Europe, and, to a degree, Japan, our major trade partners. How should we think about the very substantial sales by American-owned manufacturing companies abroad which in 1965 were double our exports of manufactured goods? Are they additions to our exports, displacements of them, or a partial replacement of them, or a partial replacement of exports that would have been wholly lost to foreign suppliers if there had not been American-owned companies abroad? Subsidiaries, either by their own purchases from the United States or by the stimuli that they give to American sales abroad through their dealings with foreign buyers, influence American exports. How do the amounts compare to the drain on the U.S. balance of payments represented by the movement of capital abroad? Clearly, the scope of what we have to think about when we speak of "the foreign trade of the United States" has broadened even beyond the range suggested by the discussion of non-tariff barriers.

The growth of overseas investment is stimulating interest in the development of truly multinational corporations. For them international trade is an intracorporate transaction. What do tariffs and other trade barriers mean to them? Are changes in these barriers likely to have important effects on the corporation's behavior? We know very little of these matters, but it seems to me certain that the more they are examined, the greater the increase in the number of issues that will have to be taken into account when we talk about trade policy. The same is almost certain to be true of the investigation into the way technological change and innovation affect international trade. The consequence will be a further widening of the range of government policies that will have to be thought of as affecting foreign trade.

Quite a different kind of alteration of established attitudes toward traditional trade barriers results from the growth of economic regionalism as an important factor in world trade. The common external tariff of the European Community is not just an economic instrument; it is also part of the institutional cement that holds the group together. How long this will be true is hard to say, but it is in the American interest, and I believe in the interest of true integration in Europe too, to press the view that other ties than commercial discrimination must become strong enough to justify the great effort that has been made to change the historical face of that continent. Meanwhile, though, there is not only a political but a functional difference between the common tariff and national tariffs. What is behind the common tariff is not a single economic and political entity so the process of deciding what the Community's tariff should be is complicated both procedurally and substantively by national differences.

As regionalism grows in the rest of the world, the question is more frequently asked whether the United States should not be finding partners with whom to form some kind of common market or other preferential trading area. Politically there are all sorts of difficulties about this approach, most of them going back to the simple fact that while such a grouping removes barriers to trade among the members it sharpens the distinction between members and nonmembers. Whom would the United States like to exclude? Economically, too, it is hard