U.S. EXPORTS IN RELATION TO U.S. PRODUCTION ABROAD

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Traditionally, United States, like other countries, has viewed its trade with other nations as the main indication of its concrete economic interest in the outside world. Trade policy in broad historic sweep has moved from preoccupation with the problems of defending particular industries against foreign competition to general acknowledgment of the mutual interest of all nations in freer trade. In this century the movement toward toward freer trade has just achieved its most dramatic manifestation in the successful conclusion of the Kennedy Round of comprehensive and significant trade concessions among the major trading nations.

There is a powerful economic rationale for this trend and for its continuation. But the decisive considerations of policy can no longer be seen from the vantage point of international trade itself or in terms of the familiar arguments which since Adam Smith's day have rationalized the cause of freer trade as a means of reaping the harvest of the international division of labor.

The fact is that international trade is now itself incidental to the broader phenomenon of international production. This term international production is here used to describe the deliveries which one nation makes in the markets of another via the direct expedient of producing there locally, as distinguished from exporting to that market the product of facilities located at home.

As will be shown, the producing stake of United States and other countries probably now accounts for sales upward of some $150 billion, as against U.S. exports of about one-fifth as much. As this tremendous producing establishment has developed, American subsidiaries abroad have come to occupy a very substantial role among our foreign customers. And the free movement of goods, in favor of which our forebears could argue the relative luxury of the gains available from specialized trade, is now more in the nature of a structural imperative of the method of production itself—much in the same way one might urge the structural importance of the interstate commerce clause in the U.S. economic constitution. Moreover, when international trade—especially in the case of the United States—is seen in proper relation to production abroad, very serious doubt is cast upon the workability of any trade-policy initiative, such as export expansion, unless taken in compatible relation to policy initiatives pertaining to the entire range of our foreign production—here namely the encouragement of investment in production abroad.

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