

is misconceived. This approach adopted as a "temporary" (now in its fifth year) bit of pragmatism thought to be required by the exigencies of the balance of payments and thought to be productive of balance-of-payments relief, is pursued at the direct expense of our economic position in the world and is likely to have been and to be prejudicial to our earning position in the world.

2. The current emphasis on encouraging exports, though highly desirable insofar as it pertains to goods produced at competitive cost, cannot operate as a substitute for our investment and production abroad. An effective export effort in our stage of development can, for the most part, be maintained only on the basis of appropriate investment backstopping in foreign markets. Consistent with this, however, is any step that facilitates exports and thereby reduces the time lag between financial commitments we make abroad and the transfer of real resources (exports) to implement them.

3. Problems of improving the terms of credit available for international projects frequently arise in the context of specific export projects, particularly in the capital goods field. Almost certainly the importance of this range of problems, already high, will grow. The adequacy of international credit, of international financing institutions, and of foreign governmental policies to accommodate freer movement of capital and current funds is directly and vitally relevant to the viability of our tremendous position in worldwide production.

4. To a very real extent, international production—unlike national production—must take place on the basis of a very sketchy "legal infrastructure." National laws contain many conflicting policies, many of them simply for lack of occasion or motivation to harmonize them internationally. Among these are regulations already mentioned affecting the transfer of funds; company laws affecting the initiation and terms of operation of companies, often to the disadvantage of international companies; fiscal policies, especially unresolved problems of tax jurisdiction over international operations; antitrust and other laws affecting the permissible methods of operation in different countries.

5. The production context is especially vital to realism in considering any aspect of commercial policy affecting the less-developed countries. By definition, their position of underdevelopment means "underproduction" and "underinvestment"—investment being literally and precisely the process of committing resources to production. The question of their trade is, by the same token, a question of markets for more effectively organized production. Special measures of encouragement and accommodation for their exports may well be in order, but lacking appropriate investment support are almost certain to fall short of maintainable gains in production.

The foregoing are only a few general areas of policy requirement in the new world of international production. They are in a sense the real "nontariff" barriers that embarrass international economic development, and far outweigh the usually specified nontariff barriers such as awkwardnesses of customs procedure.

The real objective of trade policy today is to facilitate international production, and the cost of policies not appropriately responsive to this objective will from now on be measurable in terms of the adequacy of world economic development.