

American firms because of imports I think it must mentally offset this against the exports we will lose if we reverse our trading policy.

We would be deluding ourselves to think we can raise trade barriers unilaterally without paying a price. I know something of the sentiment of businessmen abroad. They are not going to stand by silently while we build more fences around the American market.

There is a danger, I recognize, in overreacting to foreign sentiment.

Nevertheless, we are dealing now with more than isolated quota legislation or temporary border taxes. We are dealing with the combustible elements of a trade war. Protectionism is not an isolated phenomenon. Business all over the world must now digest the effects of the tariff cuts made during the Kennedy round. There are adjustments and the unknown foreign rival is always more worrisome than the known domestic competitor.

Apprehension is international and it would not take much to tilt the delicate balance against liberal trade. It would not take much more to renew the panicky, mindless wave of protectionism we saw in the 1930's.

If this should ever happen we must recognize that the economic consequences would be bad but the political consequences might be disastrous.

The International Chamber of Commerce has a slogan. It is "World Peace Through World Trade." Like all slogans, it oversimplifies. Yet there is a truth in those words. We cannot confine our thoughts solely to the technicalities of trade or reckon its balance too narrow. Trade certainly is also a technical subject.

In our formal statement we tried to comment on the issues which this distinguished committee must consider. On page 5 of that testimony we have dealt with the question of import taxes, border taxes, and their like. On page 9 we addressed ourselves to the so-called orderly marketing legislation and on page 11 to various quota bills.

I won't repeat those specific comments. Let me just say that our membership carefully considered what the effect of all these measures might be. We considered them carefully because they are advanced by serious men who believe they would be helped by such measures and by many others who believe such legislation would benefit the Nation.

We also considered them carefully in the hope that we could find somewhere through some plan a scheme that would make it possible to reduce imports without paying for that reduction in low exports.

We had to conclude that this panacea has not yet been found. The most enthusiastic exponent of these ideas cannot guarantee you that they won't be met with retaliation. In my considered judgment, based on the conversations with foreign businessmen, they will be met by retaliation.

They will, furthermore, add to our domestic inflation and reduce the competitiveness of American industry abroad, and this we are sure of.

One of my associates will address this issue specifically.

Now, if we are right in our assessment of the situation, the United States does not have the choice of restricting imports and thus helping