

I. IMMEDIATE REQUEST FOR AN EXCHANGE OF VIEW

The argument for asking at this time that the President institute, and report on, an exchange of views with foreign governments as to future international trade policy is relatively simple and straightforward.

a. The present program is not dealing effectively with trade problems due to innovation, technological progress and the rapid growth of the world economy.

b. Therefore, the popular consensus behind a general trade policy in the public interest is falling apart—both here and in other great trading countries. The isolationist trade policies urged by particular interests are coming more and more to the fore.

c. At the same time—accelerating and being accelerated by the decline in consensus—there is a failure of intergovernmental discussions of trade problems to settle differences because of a fear by each participant that the others cannot be relied on to operate within a framework of trade policy accepted as being in the common interest.

d. An immediate indication by the Congress that, in this time of malaise and confusion, it is determined to remain in active, objective and friendly touch with other trading nations when enacting new legislation (for trade policy to follow the Kennedy Round) would be an act of constructive leadership; it would create an atmosphere favorable to the general public interest at home and to friendly understanding abroad.

A. Present program can't deal with growth problems

The first point, that the present program deals inadequately with common problems of world growth, is dealt with more extensively in part II of this testimony. The three following paragraphs discuss (i) the growth possibilities and expectations in today's interdependent world, (ii) the orientation of present bargaining policy toward depression-caused barriers which are no longer important, and (iii) the need for a program directed toward the problems of innovation and world growth which underlie today's national trade barriers.

(i) Technological possibilities in an interdependent world

Technology, working through the ownership and management institutions evolved in the United States and other free world industrial countries, is integrating national economies into a world economy. They must function as a single production-consumption process to fully achieve the enormous new possibilities—for example, the supply of a decent minimum of food, clothing, and shelter for every human being. Moreover, due to advances in communication—movies, radio, television, etc., people know of these possibilities and expect governments to facilitate their early realization. Every important economic policy and program must be reviewed in this perspective.

(ii) Trade policy clings to a national recovery goal

Our present trade policy does not meet the test. It is still directed, in procedure and in inspiration, against beggar-my-neighbor barriers designed to wall nations off from world depression. By 1934, it was widely recognized that these barriers had only made matters worse. Cordell Hull had the genius to forge a consensus of free traders and protectionists to bargain them away for the purpose of facilitating recovery. He persuaded other governments to do the same. Most of the beggar-my-neighbor barriers have now been reduced to little more than nuisance levels.

(iii) Today's barriers reflect problems of world economic growth

Most government actions affecting trade today (today's trade barriers, if you want to call them that) are associated with *national* or *regional* efforts to deal with problems of innovation and world growth. The people of the program have tried to develop intergovernmental cooperation in facing these problems through the consultation and fact-finding mechanism of the GATT. But the present bargaining approach, directed uncritically against all "barriers", tends to inhibit intergovernmental problem-solving. It requires the prior formulation of national demands—followed by adversary discussion. A frequent result is reciprocal attack on important national programs. The object is to win concessions—not to understand the full facts as a basis for solving the problems.