The individual states of the United States have long proved the benefits of liberal trade, which has encouraged better resource allocation, specialization, and large-scale production. Regions and continents can benefit in the future in the same way. Note that when the principles of liberal trade are applied abroad, the United States participates in the benefits, not only from direct trade earnings, but also from the remittance of earnings from its foreign investments.

The following sections of this paper document the automobile industry's constantly growing role in the world economy and cite the industry's position on topics having a direct effect on the international activities of its members and those of many other industries engaging in international commerce.

The Role of the United States Automobile Industry in World Trade

As is pointed out below, the automobile industry had made, and is making a significant contribution to the international commerce of the United States. While this contribution is growing, fettering the industry's ability to compete for the markets of the world will endanger the growth of that contribution.

In the postwar years, 1947 through 1967, the value of United States automobile exports exceeded imports by more than 20 billion dollars (see Table A). This has been accomplished in a period when United States automotive tariff rates were, and still are, only about one-fourth of those in the major European industrial countries and even lower in relation to the tariffs in most of the major markets of Asia, Africa and South America. Even at the height of automobile imports in 1967, when the level reached 2.6 billion dollars, exports exceeded imports by 12.5% leaving a net trade surplus of close to 322 million dollars.

For the years 1962 through 1966, the net, favorable contribution to the United States balance of payments of the major vehicle producers exceeded 6.3 billion dollars. This represents the excess of automobile exports over imports plus all other transactions affecting the United States balance of payments. In view of the new mandatory regulations governing foreign direct investment, it is important to note that much of this cash inflow represents the present contribution to the United States balance of payments resulting from past investments.

Moreover, this industry also plays an important role in the economy of the entire free world, conducting business in virtually every nation. The importance of this point is shown by the fact that automotive exports have increased more than twofold, from 1.3 billion dollars in 1947 to 2.9 billion dollars in 1967 (see Table A).

In addition, the mass-production technology of the American automobile industry has become the foundation of automobile manufacturing throughout the world.

The United States share of total world vehicle production in 1966 totaled 10.4 million cars, trucks and buses out of a total world production of 24.9 million units. However, of the 14.5 million units produced outside of the United States, 4.6 million, or 31.7%, were accounted for by United States affiliates.

As outlined below, these United States direct overseas investments in motor vehicle assembly and manufacturing facilities, reflect the special demands of overseas markets.

In the early stages of the automobile industry, the limited demand of overseas markets was met by shipping fully assembled cars and trucks. As the overseas demand expanded, the industry kept pace by shipping unassembled vehicles abroad for local assembly. This was a necessary development in order to meet local commercial and governmental requirements most economically.

Recognizing that assembly alone would not be sufficient to sustain American competition in overseas markets, the United States producers began to establish manufacturing facilities in Europe, beginning in the mid-1920's. A principal reason for this move abroad was the fact that roads, traffic conditions and the cost of fuel necessitated a different vehicle from that used in the United States. It is important to note that while U.S. producers have been building vehicles abroad since early in this century, U.S. automotive exports have continued to set new records. Another reason was the realization that, unless United States manufacturers became an integral part of the foreign markets, this country's participation in these markets would decline because of the protective policies of their governments and the natural economic advantages enjoyed by indigenous manufacturers.

Concurrent with the establishment of foreign-based manufacturing operations was the development of a system of distributing automobile products. The nature of the product puts special emphasis on a financially healthy and geographically well distributed network of dealers. This system is a key link in building for