Finally, Mr. Chairman, we reassert that a growing world trade in all commodities is over the short, medium, and long term in the best interests of the United States and its citizens as a whole.

I thank you, sir.

(Mr. Stitt's prepared statement follows:)

STATEMENT OF NELSON A. STITT, DIRECTOR, UNITED STATES-JAPAN TRADE COUNCIL

INTRODUCTION

The United States-Japan Trade Council is a trade association with a membership of over 700 firms located in the United States, which conduct among them most of the trade between the United States and Japan.

Our members, like all those buying and selling abroad, are enormously concerned about bills to restrict trade which are pending before this committee. We believe that these bills not only threaten U.S. relations with other nations but also pose a serious danger to the health of the United States economy.

It is fitting that this committee is holding these hearings, because this is a critical moment not only for U.S. trade, but also for general U.S. economic policy. It is a moment of fear and hope. On the one hand, fear over domestic inflationary pressures and the persistent balance of payments deficit. On the other hand, hope that the successful conclusion of the Kennedy Round and further hard-nosed bargaining on nontariff barriers will reap benefits for present and future producers and consumers whether these be farmers, industrial works, business managers, or government servants.

You gentlemen have met and in a statesmanlike way are dealing with the fear of inflation in the U.S. economy. When the fiscal package becomes law it is reasonable to assume that inflationary danger will turn into the hope and promise of a stable price economy. Such a fiscal policy used to be called the liberal Keynesian approach to dealing with a national economy. Now these accepted policy actions are considered conservative. We all expect that such conservative fiscal action will not only bring the domestic economy into control but will have a salutary effect on the balance of payments.

There is also a conservative position concerning trade between nations. The 1934 Reciprocal Trade Agreement Act was considered, in its time, to be a liberal trading arrangement, based on reciprocity through the "most-favored-nation" principle. This policy has continued now for almost 34 years and should now be called a conservative policy.

Examined together, proposals to restrict imports into the United States represent nothing less than abandonment of the trade policy followed by the United States for the last 34 years, and most recently approved by the Congress when it enacted the Trade Expansion Act of 1962.

Certainly no one should call these proposals to restrict imports "conservative." They are better termed "radical" reactions of those industries unwilling or unable to adjust to the changing demands of an open and dynamic economy. Change is the essence of an open economy. Changes in the structure and the value of imports and exports are brought about both here and abroad by changes in technology, marketing, managerial skills, and labor productivity.

The key to the last 34 years of U.S. trade policy is the conservative economic philosophy of competition more highly developed in the United States than anywhere else in the world. Competition is an essential means of regulating the economy. For example, if you have inflationary pressures, as we now do in the United States, imports will rise. But this rise in imports also sets in motion measures tending to reduce imports and disinflate the economy. A good example of this is the effect of steel imports on the United States economy. On the one hand, the domestic steel industry has been urging that quotas be established to protect their oligopolistic price leadership practices. On the other hand, import competition has encouraged some companies to cut prices. This is the conservative and classical way of regaining markets or expanding markets, benefiting all. And not incidentally, price competition has a disinflationary effect on the overall economy.

But if you abandon competition in the face of inflation, the inflationary pressures worsen. This first step in closing the economy will inexorably lead to further steps. The bureaucracy needed to maintain closed borders against for-