UNFORTUNATE CONSEQUENCES OF LOSING THE MOMENTUM OF LEADERSHIP IN INTERNATIONAL TRADE

I should like now to refer to the consequences of trade restrictive proposals in both economic and political terms. Trade agreements which have been entered into contain "escape clauses" and there are various means, from a legal standpoint, whereby parties to the agreements may take action to protect a particular industry considered to be in serious danger of injury from imports. But if such measures extend over a wide variety of products, and if they are not based upon serious and well-founded dangers of intolerable dislocations within the economy of the receiving country, then such measures destroy the structure of international economic cooperation.

It is important for all nations that the world not backslide into protectionism, but it is particularly important for the United States because of the world-wide production of the multinational corporations chiefly owned by Americans. Deliveries from production abroad by U.S.-dominated companies are estimated to equal five times all U.S. direct exports. U.S. receipts—interest and dividends—from investments abroad amount to $5 billion annually, equal to one-sixth of the proceeds of all U.S. exports. Thus the international financial strength of the United States, to a degree far exceeding that of any other country, depends on the absence of obstacles to the movement of goods and money, even obstacles existing between other countries. The necessity for continued U.S. leadership in trade and investment policies is not only moral and political—it relates directly to the economic interests of the United States. As the largest and the wealthiest trading nation, the United States sets the pattern. The enactment of legislation along the lines of restrictive proposals now pending before this Committee would mean the end of a whole era of U.S. leadership in international economic cooperation, causing the free world to collapse into autarchic states or trading blocs, each the poorer for its inability to trade freely with the others.

The political consequences are sobering, in terms of the ability of the United States to wield its power effectively toward peace and international cooperation. In no country and area would this be more serious than Japan and the other nations of the Pacific basin.

We tend to dwell more on our problems than our successes, but it is important to note that the postwar history of Japan is a remarkable success story for both the Japanese people themselves and for American policy toward that nation. From the ashes of defeat and destruction, Japan has achieved a modern technological society comparable to many parts of the United States and Europe, the highest economic growth rate of any country in the world, and a democratic political system. It is a shining beacon to all the peoples of the underdeveloped world, particularly in Asia. And, most important for present purposes, it is a vital part of the United States security system. Our naval vessels use the ports of Japan, and one of the most important overseas air bases of the United States is located in Okinawa. It remains true, as we said in a paper submitted to a Congressional Committee in 1958, that . . . "The United States can feel confident of Japan's role only so long as the people of Japan are convinced that their interest lies in such cooperation. The people of Japan are now so convinced, and their own commitment to the free world and the principles of the United Nations is so great that they will not easily alter their view. The first consideration, however, in the mind of a Japanese, as in the minds of people the world over, is that he and his family have a decent living. Competing perhaps with this consideration for the first place is self-respect. It is true, therefore, in a very real sense, that the United States can count upon Japan as a friend so long as Japanese are satisfied that on the whole policies of the United States are compatible with Japanese livelihood and Japanese self-respect."

We must remember that Japan's economic dependence on the United States is much greater than U.S. dependence on Japan.

To illustrate, in 1967 each Japanese purchased, on the average, more than twice as much American goods ($32 worth) as each American purchased of Japanese goods ($15 worth). Furthermore, Japan's imports from the U.S. were 27.5 percent of its total imports, representing 2.8 percent of its GNP, as compared to U.S. imports from Japan representing 11.2 percent of total U.S. import, only 0.4 percent of U.S. GNP.

In popular terms, this lopsided interdependence is expressed by the fact that while these hearings today are receiving modest attention in the press in most cities of the United States, they are undoubtedly making headlines in the newspapers of Japan.