mosphere congenial to our investments in many countries. But if we impose tariffs prejudicial to the exports of the host country, reprisals would almost certainly be taken, and the conditions under which we now profit from investments abroad could quickly change. Similarly, our foreign investments could be seriously injured if restrictions on the export of capital from this country prevent us from providing foreign subsidiaries with funds essential to their growth, or if the rules governing repatriation of earnings from such firms hamper their operations and efforts to expand.

INDIRECT GAINS FROM TRADE EXPANSION

So far I have stressed the paper industry's large tangible gains from exports and investments abroad; but there have also been indirect gains which in the long run may also prove to be of great value. As an industry we have benefited psychologically as well as economically from trade with other countries. In the time that I have been with the American Paper Institute, I have observed that rigid, hidebound or complacent managements are certainly not characteristic of paper companies. It seems to me unquestionable that their open-mindedness and interest in new ideas stems in part from experience gained in the markets of other parts of the world. Exposure to foreign competition and foreign technology has helped to stimulate the expansion of research and development in this country with respect to new types of raw materials, new processes, and new products.

Our industry is intent on maintaining its important position in the world's markets. We will have to step up our pace to do it. In western Europe paper manufacturers are making long strides in technology and marketing. The Russians too are coming along in this field, and have the potential at some future date to offer formidable competition. We can stay ahead, but only if we take full advantage of our current momentum. That means not only intensive research, efficient production and imaginative marketing—it also means, and I emphasize this strongly, a continuation of the present trend toward freer trade. If we and western Europe were to begin to punch and counter-punch with trade restrictions, everyone would lose.

BUILDING TRADE WITH THE DEVELOPLNG COUNTRIES

The same principle applies with equal force in our relations with the markets of Asia, Africa and South America. Unless we can encourage their exports, and bring our goods to their ports at prices within their means, our industry will be faced with serious problems. The paper industry, I believe, plays a peculiarly significant role in our trade with developing nations. It has been widely recognized that one measure of the level of economic development of any nation is its per capita consumption of paper. The range is very great—from over 500 pounds per capita in this country to no more than 3 pounds in India. Whenever the living standards of a people begin to rise, the consumption of paper increases very rapidly. Demand for newspapers, school books, magazines, containers, and papers for medical, commercial and domestic uses has a high priority in such countries.

The press and the government of a developing country are likely to be extremely sensitive to the conditions governing their purchases of paper. It may be an exaggeration to say that as paper exports go, so go all our exports; but I think it is a fact that the industrial nation supplying a relatively poor country with paper for its cultural development and better living is usually in an advantageous position to sell many other products in that market.

Our industry is keenly aware that some developing countries, as well as a number of industrialized nations, have imposed relatively high duties on their imports of paper. In some instances these tariffs are so unreasonable as to be self-defeating, for they result in shortages injurious to the living standards of the peoples concerned.

For example, one Latin American country prohibits paper imports that compete with local products. Another bars imports of grocery bag paper although the local product costs three times as much as ours.