As in negotiations with European nations and Canada, we count on straight talk and reasoned firmness on the part of our government negotiators to overcome such irksome difficulties. We certainly do not propose countering impulsively with restrictions of our own. This nation, as the world's leading industrial power and exporter, plainly has the responsibility to set an example and to avoid a combative posture in its trade policies. To press hard for a fair chance to compete is our right and our obligation but our methods must be consistent with our overall interests.

THE "PROTECTION" FALLACY

Your favorable decision on the present trade expansion bill would have a stimulating effect on our trade throughout the world, but its most important benefits would be felt here at home. Our present worry about the payments deficit is largely rooted in rising costs of production that hurt exports. And with every new restriction on imports, costs tend to rise even more, promoting more inflation. Every restrictive move carries its own heavy penalty. Establish higher tariffs or import quotas, and other countries do likewise, so that our overall exports decline, our foreign investments are imperiled and our payments deficit increases. Compel manufacturers to use high-cost, quota-protected or tariff-protected materials, and our export prices go up, making us less competitive in foreign markets, and again worsening our payments deficit. Impose tax laws prejudicial to the operation of American companies in other countries, and the national income from foreign investment declines, and the dollar is weakened in foreign exchange. After years in which the exporting businesses of this country have geared their policies to gradual reduction of trade restrictions, an abrupt reversal of this beneficial trend would produce an economic shock of alarming proportions. If the efforts being made in some quarters to restrict competitive imports have aroused deep concern in the paper industry, it is not only because of the immediate financial loss that we foresee, but even more because of the long-range consequences for the economy as a whole.

It may be natural that companies feeling the pinch of competition from low-cost imported goods should wish restrictions on this competition. But surely the word "protective" used in reference to import restrictions is misleading. If anything is clear, it is that in the long run import restrictions do not really protect anything. On the contrary, by weakening the American economy they imperil every American industry. The protection they offer is spurious, a mirage. If we try to turn the economic clock back to the trade policies that prevailed in the early 1930's, we invite the kind of industrial crisis that prevailed in the 1930's. We can never afford to lose sight of the fact that policies of economic isolationism are policies of depression. The economic clock is a sensitive mechanism; if we turn the hands back, the main spring, our competitive vigor and initiative, may be seriously damaged.

I cannot help but wonder what would happen if the same line of thought that has led to current demands for import quotas were followed with respect to domestic competition. Suppose companies that are being out-distanced by their American rivals came running to the government with pleas for legislation to protect them. I suspect they would be told that under the American enterprise system it is up to them to defend their competitive positions by their own abilities and efforts.

There may perhaps be an extreme emergency when temporary, moderate and highly selective restrictions on a few imports may be justified, if that is the only way to stimulate other countries to remove unfair restrictions on our exports. Even such moves made for bargaining purposes are risky and should be avoided if at all possible. Both business experience and economic analyses tell us that the nation has little to gain and much to lose from new trade restrictions—that no country can nowadays solve its problems by higher tariffs or import quotas.

OVERCOMING COMPETITION FROM IMPORTS

I believe experience has amply demonstrated that the only sound recourse for an industry or a company that is under pressure from competition, foreign or domestic, is to do a better job, compete harder, get prices down by greater