First, let me say that I welcome this opportunity to appear here and to talk not about the past, but the future, and what we are doing to prepare ourselves for it.

Last July I appeared before your subcommittee and outlined the results of the Kennedy Round, which had just been successfully concluded. Today I shall discuss the next step, the future of American trade policy, which our Office is engaged in studying at the direction of the President.

I shall begin today, with fundamentals—what our trade policy has been for these past 34 years, why we have consistently pursued it, and why we should continue to do so.

Taking into account the hard lessons of experience—the Smoot-Hawley Tariff Act of 1930 and the downward spiral of world trade which followed it—the United States embarked in 1934 upon a policy of trade liberalization and expansion. That policy has gone forward under administrations of both parties, and has had the support of congressional majorities of both parties. There has been steady progress toward the removal of trade barriers over these three decades, culminating in the Kennedy Round last year. World trade during this period has steadily expanded, and its benefits have been ever more widely diffused among nations and people.

Why have we and other nations been steadfast in our trade policies and goals? Fundamentally, because we have all recognized the great economic advantages of the division of labor among nations as well as within nations—with each doing what it does best. Keener competition is an ever-effective stimulus to efficiency, productivity, and innovation. All of us benefit, as consumers, from access to a greater range of variety and quality in the goods we buy, and their more competitive pricing. Trade among nations is, after all, only the extension beyond our borders of the basic elements of the free enterprise system—competition, specialization, the price mechanism, the free market, freedom of choice, and mutually advantageous exchange.

The gains, in the real economic world, do not come entirely without some pain. Therefore, we have sought—through an evolving set of programs and statutory provisions—to maximize the benefits to the great majority of our citizens while minimizing injury to the few.

We must be prepared to adjust to changing circumstances—indeed, our free enterprise system is in itself a potent force for change. Therefore, while steadfast in our goals, we must reexamine from time to time the means of achieving them. This is the purpose of our study.

We are beginning with a thorough examination of our competitive position in world markets—now and in the future. Much has changed since 1962, when we last took stock. The pace of economic development has greatly accelerated. Industrial technology and agricultural productivity have grown by leaps and bounds. New industries have sprung up, both here and abroad. New competitors are appearing in virtually every market.

Some of the critics of a liberal trade policy see ominous portents for the future in this rapid pace of recent change. America, they say, is rapidly losing its competitive edge. Ignoring our high technology, our sophisticated management techniques, our advanced and flexible capital market, and other factors relevant to our competitive position, they predict that lower wages abroad will drive our industries to the