

DRAFT STATEMENT BY THE SECRETARY OF STATE BEFORE THE  
HOUSE COMMITTEE ON FOREIGN AFFAIRS IN SUPPORT  
OF UNITED STATES ACCEPTANCE OF MEMBERSHIP  
IN THE INTERNATIONAL TRADE ORGANIZATION

I welcome the opportunity to appear before you today to present the Charter for an International Trade Organization. Like the Point IV legislation which you have just reported favorably to the House, this is not an emergency measure, but rather a further basic step in the effort to establish world conditions under which the institutions of freedom can survive and prosper over the long term.

Largely through the European Recovery Program production in Europe has been restored to above pre-war levels. In Point IV we hope to help in the long process of building production and bringing about higher standards of living in underdeveloped areas. But development of production is not enough. Countries must be able to exchange the goods they produce for the goods of others which they need. In other words, production and trade are two sides of the same coin, both necessary to its value. The International Trade Organization is designed to help improve the conditions of world trade, by establishing a code of trade principles which member countries will undertake to follow, and an organization within the United Nations structure to help make those principles effective and to

serve

1127

serve as a forum in which trade problems can be discussed around the conference table.

I should like to place the ITO in the setting of the world situation by reviewing the position of the United States in the world today, recalling the major courses of action which the United States is following in its foreign relations, and describing some of the major problems which we and other countries face. What I have to say will provide a background for your consideration of a number of other measures which will come before you, as well as for your consideration of the ITO.

Importance of United States in World Economy

Although we all recognize the fact that the United States is the economic center of the world today, it is sometimes difficult to grasp the full meaning of this fact to the conduct of our foreign relations.

With 7 percent of the world's population, the United States accounts for 50 percent of the world's industrial and 20 percent of the world's agricultural production. It is the world's largest single market. It is the greatest single producer and consumer of a wide variety of important products. It has the highest per capita income of any country in the world and its exports and imports account for over one fifth of the world's international trade. Though our war effort drew heavily upon

certain

certain irreplaceable natural resources, the war by and large did not damage nor impair United States productive capacity, either in industry or in agriculture. On the contrary, the United States emerged from the war with its productive facilities in both of these great areas vastly increased.

The economic policies which the United States follows are therefore of enormous importance to the rest of the world. What it does, even things which sometimes seem to us unimportant, can have direct and vital impact on the prosperity, indeed the very economic life, of other countries. The slight decline in our economic activity that occurred last year, for example, resulted in a falling off of our purchases of foreign-made goods which directly contributed to the worsening of the position of the United Kingdom. It made other countries uneasy about the stability of our economy, which in turn had an effect on their own economic situation.

Importance to the United States of World Economic Conditions

The converse of this proposition is equally true; namely that economic conditions in other countries and the economic policies followed by other countries directly affect our prosperity. For the United States is inseparably bound up in the world economy. We have found by experience that the United States cannot remain an island of prosperity in a depressed world.

The

The United States is dependent upon other countries for the supply of many things which it vitally needs and for markets for vast quantities of the products of its fields and factories.

The life blood of international trade coursing through the world brings strength and vigor to our sinews as well as those of other countries. If that blood stream is blocked or diluted, we suffer along with others.

Perhaps even more important than the direct economic relationships is the political effect of economic situations. Prosperity, high standards of living, busy factories and fields in the other free countries of the world contribute to the political conditions in which we and other people can go about our lawful business in peace. In many countries of the world, some of which have just attained political independence, hundreds of millions of people are no longer content to live in conditions of poverty and distress. These peoples are striving for better living conditions. There is a genuine and far-reaching revolutionary movement sweeping a large portion of the world. The choices they make as to ways of achieving their goals will have the utmost significance for the United States. And one of the factors influencing their choices will be the extent to which we are able to contribute to their economic advancement and to the improvement of world economic conditions.

Responsibility

Responsibility of the United States for  
World Leadership

The predominant position of the United States in the economic field imposes upon us heavy responsibilities. It is axiomatic in the life of nations as well as in that of individuals that power and strength carry with them responsibility for leadership. We could not escape this responsibility today even if we wished to do so, but the Congress and the people of the United States have made it abundantly clear by their actions during and after the war that we shall not shirk this responsibility. The years ahead will test the staying powers of all of us as we move away from the immediate, dramatic problems of the post-war period into a period requiring sustained and consistent effort.

The United States has chosen to exercise its leadership by participating with other countries in seeking solution of common problems. We were the principal force that brought the United Nations into being and have given it our full support. The central idea of the European Recovery Program is United States participation with European countries in solving their problems of production, distribution and trade.

I would like to stress at this time, that although it is our economic strength that forces us into a position of world leadership, that leadership has been effective

for

for a far more fundamental reason than the mere fact of our strength. It has been effective because our efforts have been to promote the interests of others as well as our own. Our purpose has been to help, not to dominate. We have recognized the right of every man and every country to live and develop in its own way. We have sought to find ways of working harmoniously with countries whose ideas and needs and ways of doing things differ from ours. We have not sought to impose our ideas upon them.

#### The President's Program

In his Inaugural Address, President Truman outlined four major courses of action for the United States: namely, to support and strengthen the United Nations; to strengthen free nations against aggression; to promote the development of the underdeveloped areas of the world; and to continue our programs for world economic recovery and rebuilding world trade.

These four major courses of action require a variety of activities in the economic as well as in the political and security fields. They are closely related. Each supports and sustains the others.

Let me therefore refer briefly to the action taken and proposed under each of these points in the President's program and show you how they are related and how the measure now before you is designed to help carry the program forward.

Strengthening the United Nations

We are participating fully in the work of the United Nations.

In Indonesia, in Kashmir, and in Palestine the United Nations can claim credit for helping bring the military phase of a conflict to a close. Through its Special Committee on the Balkans and its observers, the United Nations has spotlighted the assistance given by Communist countries to the guerillas fighting against Greece and has thus contributed to the successful conclusion of Greek military operations.

The United Nations Commission for Korea has helped secure the withdrawal of foreign troops from the country and the recognition of the independent Republic of Korea.

The General Assembly of the United Nations has made recommendations for the disposition of the former Italian colonies which call for the creation of an independent Libya by January 1, 1952, and an independent Somaliland after ten years of Italian trusteeship. These recommendations are binding upon the major powers concerned.

The Assembly, with the support of all fifty-three non-Communist members, rejected the Soviet Union's so-called "peace" proposals, thus administering a crushing defeat to a major Soviet propaganda manoeuvre.

The

The Assembly has unanimously approved a program for technical cooperation in underdeveloped countries, through which these areas can draw upon the technical facilities of the specialized agencies and of member states in such fields as health, education, agriculture, labor and civil aviation in order to raise their own standards of living.

The United Nations is a working organization. To make its work more effective the United Nations has established an Economic and Social Council and specialized agencies exist in various fields, for example the Food and Agriculture Organization, the World Health Organization, the International Monetary Fund, the International Bank.

But there is as yet no United Nations agency for dealing on a cooperative basis with problems in the vital field of trade. This is a major gap in the United Nations structure. The International Trade Organization would fill this gap. It would be a specialized agency of the United Nations. It would provide a United Nations forum where trade problems could be amicably settled around the conference table. It would thus strengthen the United Nations. And anything that strengthens the United Nations is good for us.

#### Strength Against Aggression

We have taken far-reaching steps to strengthen freedom-loving nations against aggression.

If

If the energies of men and women are to be released for the building of a peaceful world, the fear of aggression must be removed. The United States has participated in the Rio Pact for Western Hemisphere defense. We have helped develop and put into effect the North Atlantic Pact and a North Atlantic defense structure. We are in the process of implementing the Military Assistance Program first approved in this Committee.

The establishment of the North Atlantic Treaty Organization, based on the inherent right of self-defense recognized by Article 51 of the United Nations Charter, greatly expanded and strengthened the previously existing Western Union security arrangements. Since its establishment in September, subsidiary bodies have been organized and are actively engaged in planning for integrated defense of the North Atlantic area in military, production and related financial and economic fields, based on the principles of self-help and mutual aid.

The objective of these efforts is to strengthen collective security, thus lessening the possibility of aggression - without jeopardizing economic recovery - and also to create the atmosphere of confidence in Europe necessary to recovery.

United States security and that of other North Atlantic Treaty countries and hence the free world has been strengthened by the establishment of the North Atlantic Treaty and its  
implementation

implementation through the Military Assistance Program, both in terms of arms shipments and by the carrying out of the self-help and mutual-aid concept through integrated planning for additional military production by Western European countries themselves, with a view to strengthening our collective defenses.

During the course of this session of the Congress, this Committee will be presented with a request for an appropriation to carry forward that program. This is a further vital measure to advance the vital interests of the United States.

But security rests not only upon military arrangements. It rests upon economic health and strength and upon the removal of causes of friction between friendly nations. Expanded and peaceful trade between the free nations of the world will strengthen both their economies and their unity. And to the extent that peaceable trade between them increases their economic strength and contributes to stable internal conditions, they will be the better able to resist aggression should it occur. This is another reason why we have devoted so much effort to reaching agreement on trade principles and the establishment of an international organization which can contribute to the rebuilding and expansion of world trade.

Incidentally, I don't want to suggest that we should support every measure which the Soviet Union opposes, but if

additional testimony to the soundness of this conclusion is needed, it may perhaps be found in the fact that the Soviet Union has attacked and boycotted every major effort proposed by the United States to strengthen the economies of other free nations or to restore and develop trade between them. Its attacks upon both the European Recovery Program and the International Trade Organization have been bitter.

#### Promoting World Production

In addition to strengthening the United Nations and guarding against aggression, the President stressed the need for promoting world economic recovery by restoration and development of production and by expansion of trade.

The problems involved in achieving world economic recovery and trade expansion are varied and challenging. We are seeking to meet that challenge in a variety of ways.

We are meeting it by programs designed to restore or create production in other countries. We are meeting it by programs designed to remove or lessen the obstacles to trade.

The results of the European Recovery Program to date have been encouraging. But, as I said earlier, there is still much to be done. We must persist in our effort and not allow it to fail by slackening off prematurely. There is still a sound truth underlying the old warning against being "penny-wise and pound foolish."

It has been possible, nevertheless, to reduce the request for an ECA appropriation to \$3.1 billion for fiscal year 1951 as compared with funds made available in the first year of \$6 billion and \$4.7 billion for the second 15 months. This Committee will shortly be considering this matter.

Continuation of ECA aid on this scale is essential to the achievement of our purpose. The American people have invested in recovery and peace. It is an investment which is paying off. It is an investment that I am confident the United States will never regret.

The International Economic Development bill approved by this Committee, and the bills authorizing certain guarantees for foreign investments approved by the House and Senate Banking and Currency Committees, are also designed to promote world economic recovery and growth. They do so through another channel of approach, that stressed in the fourth point of the President's address; by making available American technical knowledge and American capital to enable the underdeveloped areas of the world by their own efforts to achieve greater production and higher standards of living. More production is fundamental to their prosperity and security. Their prosperity and security will contribute to ours.

PROMOTING WORLD TRADE

But world economic health cannot be achieved in the absence of a healthy and expanding international trade. It does little good to produce goods if you can't sell them. The next step in the restoration of the European economy, for example, is to expand the flow of goods between the countries of Europe and with other countries, particularly hard-currency countries such as the United States.

How to make possible a greater international exchange of goods is one of the most vital and in many respects the most difficult economic problem in the years immediately ahead. On its solution European recovery, world economic development and continued United States prosperity are all heavily dependent.

Here two things stand out: the overwhelmingly creditor position of the United States in world trade, and the mass of restrictions which block the channels of trade all over the world.

The

The "Unfavorable" United States Trade Balance

The United States has for many years, been exporting very much more than it has imported and financing the excess of exports over imports very largely by taxes.

In 1949, for example, we exported roughly 17 1/2 billion dollars worth of goods and services and imported about 10 1/2 billion dollars worth of goods and services. Investments abroad, both public and private, amounted to about 1 billion dollars and there were about 1/2 billion dollars of remittances from our citizens to other countries. The balance of about 5 1/2 billion dollars was financed through direct United States Government assistance paid for by the taxpayer.

Since World War II, at least, we have done this for solid reasons of national interest. But it is a situation which we cannot continue indefinitely. We are therefore directing our efforts to finding ways of enabling other countries to pay us for more of the things we want to sell and that they want and need to buy.

We could, of course, let our exports drop sharply. But this would hurt other friendly countries and our

own

own economy. The Committee is familiar not only with the need of other countries for products from the United States, but also with the enormous importance of the export market to very important segments of United States industry and United States agriculture.

We could continue indefinitely to finance a large surplus of exports over imports by direct grants from the Treasury. Some assistance of this kind will undoubtedly be necessary to meet particular situations which it will be in our national interest to deal with in this manner. But these situations should be met on their merits. It would obviously not be desirable to adopt as a matter of long-range policy the practice of financing from the United States Treasury the sale of products which our farmers and our businessmen would like to sell abroad.

We are therefore endeavoring to expand United States investments abroad and to encourage imports.

With respect to investments, we have recently signed treaties of friendship, commerce and navigation with Italy and Uruguay. We are negotiating similar treaties with a number of other countries. Satisfactory treaties of this kind give real assurances to investors sending their capital abroad. The guaranty legislation

now

now before the Congress should serve to encourage investment abroad. The Export-Import Bank is making appropriate loans. All this will help to close the gap. But the volume of investment is ~~not~~ likely to be nearly enough. It must be serviced. It must ultimately be repaid.

The most important method of closing the "dollar gap" is to increase our imports. We are pursuing this objective through further tariff negotiations under the Trade Agreements program, and by simplification and improvement of customs procedures. We are considering other appropriate measures to this end. This problem is rapidly being recognized in the United States and is being most seriously thought about not only within the Executive Branch of the Government, but by many groups of private citizens.

I believe that steps to increase imports must be vigorously pursued. Increased imports are obviously to our national interest. Increased imports would enable our people to get many things that they need or would like to have, adding thereby to our standard of living. They would make it possible for other countries to earn more of the dollars which they need to pay for things that they want to buy from us and that

we

we would like to sell them. If we merely spent as large a proportion of our national income today for imports as we did twenty years ago we would be well on our way to a solution of the problem.

Mr. Hoffman has eloquently and forcefully stated on many occasions recently the vital importance to the success of the European Recovery Program of increased imports into the United States from Europe. What he has said about Europe is equally applicable to other countries in the world.

A material and persistent increase in our imports is vital to the long-run economic health and prosperity of the United States and of the world.

The ITO as a Contribution to Freeing the  
Channels of World Trade

Our programs must be directed towards freeing the channels of world trade from as many as possible of the obstacles and restrictions and discriminatory arrangements with which they are now clogged.

If the channels of world trade are not cleared of these restrictions, the economic recovery and the economic development of other countries will be impeded, our own goods will not be able to find markets abroad, we will be hindered in our efforts to get many of the

things

things we need from abroad, and economic frictions between nations will be generated as they vie with each other in the manipulation of restrictive devices on each other's trade.

That is why as early as December 1945, almost immediately after the cessation of hostilities, the United States proposed for the consideration of the world the establishment of an international trade organization. That is why the Economic and Social Council of the United Nations, at its very first meeting, appointed a group of countries to prepare for a United Nations Conference on World Trade and Employment. This Conference took place at Havana in the fall of 1947 and spring of 1948 and produced the Charter for an International Trade Organization which is now before you.

I do not propose to describe this Charter to you in any detail. That will be done by the witnesses who follow me.

This Charter is designed to help clear the channels of world trade in two ways: by establishing a code of commercial principles which the member countries will undertake to follow with respect to their trade with each other, and by establishing an international  
organization

organization in the family of the United Nations to serve as a forum where trade disputes can be considered and adjusted around the conference table.

The code of principles represents agreement to eliminate the use of certain restrictions on trade and to limit the use of others. It requires consultation before action which may adversely affect another's interests.

I cannot stress too strongly the importance of this combination of agreed principles and the obligation and mechanism of consultation. Each country can proceed more confidently in reduction of its barriers to trade if it knows that other nations are committed to travel the same road, that it will be consulted before action is taken which may adversely affect its interests, and that it can bring problems up for discussion and public scrutiny in an impartial forum.

This Charter is the most comprehensive economic agreement ever negotiated. It represents the agreement of representatives of fifty-four countries, of all varieties of economic systems and all stages of economic development. The principles which it sets forth are not mere generalities. They are sufficiently  
precise

precise to be guides for action. And they cover a very wide range of trade relationships. To have reached agreement on the Articles dealing, for example, with customs procedures alone, or those dealing with restrictive business practices alone, would have been a very considerable achievement. To have reached agreement over so wide a range of trade relationships is unprecedented. It required over two years of international negotiation and study and more years of prior preparation.

But it is important to recognize the limitations of the document as well as its advantages. Let me make it clear at once that the Charter is not presented to you as a panacea or a cure-all or a final solution to our trade problems. It does not immediately or completely remove all rigid quota controls on trade or all trade discriminations. It is not designed to deal with some ideal world in which conditions are "normal" or even as comparatively free from difficulty as they were in the nineteenth century. It is designed to operate in the disturbed and difficult conditions which exist today.

Moreover, since the Charter represents the agreement of representatives of fifty-four nations and is  
designed

designed as a means of helping them to trade harmoniously with each other, it is not written exactly as the United States, or any other one nation, would have written it. Of course not. The framers of the Charter knew that economic difficulties and differences in national systems and points of view could not be legislated out of existence.

The meaning of the Charter is, therefore, not in any automatic guarantee of quick and complete results. It is rather in the fact that it represents agreement on objectives, that it takes many steps now possible to put those objectives into effect, and provides the means for taking further steps along the right road.

No one would seriously contend that Congress, by the stroke of a statute, could provide the complete and final answer to any one of our great domestic economic problems or satisfy everyone in the process. The test of the ITO Charter is, of course, the same reasonable test -- the test of progress, as opposed to the demand of perfection -- that we apply to our domestic legislation, or that we applied, for example, to the U.N. itself. The questions we must ask of the Charter are whether it will improve the situation, whether it sets us in the right direction, and whether

we

we and the world will be better off with it than without it. .

And while I am on this subject there are some observations I would like to make about one or two of the criticisms which I have heard advanced of the Charter, because they seem to me so completely to ignore the true situation of the United States in the world today and to be so blind to the necessary elements of effective leadership to which I referred earlier in my statement.

It is said, for example, that we should reject the ITO because our membership in the ITO will limit our freedom of action, impair our sovereignty, prevent us from retaliating against other countries.

This counsel perplexes me. The very purpose of international agreements and of international organizations, as I see it, is to introduce order into the relations between countries; to gain agreement that each country will limit its absolute freedom to act or not to act in return for the agreement of other countries to do likewise. In accepting such an agreement each country must decide whether the sum total of the obligations assumed by others to it is worth the obligations it assumes to the others. In the U.N., in

its

its specialized agencies, in the Atlantic Pact, in the Organization of American States, in our various treaties and agreements, we limit our freedom of action by agreeing to do certain things, by agreeing not to do other things, and by agreeing to seek adjustment of differences through consultation or some recognized procedure rather than by unilateral retaliation. Such agreement is of the essence of orderly international life.

I have also heard it said that the United States should refuse to join this United Nations organization because it would only have one vote. What are those who raise this cry afraid of? Must we refuse to participate in any international organization unless we can be sure of dominating it? This is the philosophy of one or two countries that I can think of. I do not believe that it is the philosophy of the people of the United States. If it were, we would not have joined the United Nations, or signed the Atlantic Pact.

These and other similar criticisms merely raise again the ancient shibboleth of "no entangling alliances" and reflect a fear and inferiority complex unsuited either to our position or our destiny.

I am persuaded that the reopening of the channels

of

of international trade is basic to the building of a prosperous and peaceful world. I am convinced that real reopening of the channels of international trade can only be accomplished by cooperative action among a large number of countries. Wide international agreement upon the rules which the Charter embodies and wide membership in the Organization which it would establish can make a material contribution to the expansion of international trade. This action obviously cannot be effective without the active participation and support of the United States.

Only two countries have as yet ratified this Charter. One of them has made its ratification expressly contingent upon ratification by the United States and the United Kingdom. The other countries are waiting to see whether the United States accepts or rejects the Charter. The choice, therefore, which the Congress is about to make is not only whether the United States will accept membership in the International Trade Organization, but whether there will be an International Trade Organization.

One final word. We are engaged in a great cooperative effort with other countries to raise standards of living throughout the world and to achieve political stability

stability and peace. Our effort has many facets, political, economic, financial, military. All are interrelated. Each supports the others.

We are also engaged in a struggle between two ways of life, two systems of thought and philosophy as different as the poles are wide apart. Millions of people are watching this struggle to see which system and way of life will work the best and do the most to provide a decent life for the individual. To the extent that we can work effectively with other nations of like mind to make our system work, our hand will be strengthened in that struggle. The programs which we have been discussing today are all designed to help make our system work. An effective cooperative mechanism in the basic field of trade can immeasurably strengthen us and other freedom loving nations in our effort to establish the kind of world order in which we can live in peace and pursue our way of life without fear that it will be overthrown.

The ITO Charter obviously does not ensure this result. But I believe that it will be an effective additional means to this end which we all desire. I therefore urge the Congress to authorize United States acceptance of membership in the organization which this Charter would establish.