I find myself in the pleasant position of speaking to a group which by its very nature is likely to agree with the basic theme that I propose to discuss. I want to share with you my conviction as to the compelling importance of working toward expanded multilateral trade; and since you are the principal representatives of 34 countries gathered at Annecy for the purpose of reducing trade barriers and removing restrictions to commerce, I can conclude that I am on safe ground.

This does not mean that I want merely to repeat the generalities that you have heard many times before. I want to talk about a specific aspect of trade policy — the relationship between the program of the International Trade Organization and GATT on the one hand and the European Recovery Program on the other.

It is evident that the relationship is, and must be, a very close one. It would have been folly had the nations represented in the Organization for European Economic Cooperation, Paris chosen to plan their progress toward economic reconstruction and rehabilitation on principles other than multilateralism. That would have been a violation not only of the dictates of common sense, but also of the solemn principles to which most of them subscribed in the Geneva and Havana meetings looking toward the creation of the International Trade Organization, and the principles which you are vigorously forwarding here in Annecy.

Now, with the most urgent post-war problems on their way to solution, the larger task confronting the free world generally and particularly the OEEC countries is the establishment of a trading system which will reduce barriers to trade, provide for
economic specialization, increase productivity and contribute to the solution of fundamental balance of payments problems. These must be the principles of OEEC, as well as ITO and GATT.

My government, and all of its agencies, are clearly aware of the necessity of this common philosophy and outlook in all of the international agencies in which they participate. In economic policy we have only one goal, whether expressed in Washington, in Annecy or in Paris.

President Truman made clear the fundamentals of the essential relationship between your work and the European Recovery Program when, earlier this month, he presented the Charter of the ITO to Congress for approval. He said:

"This Charter is an integral part of the larger program of international economic reconstruction and development. The great objectives of the ERP will be only partially realized unless we achieve a vigorous world trading system. The economic advancement of underdeveloped areas likewise depends very largely upon increasing the international exchange of goods and services. Thus the Charter is an effective step toward the growth of production, and toward the maintenance of employment and economic stability."

This relationship was specifically recognized a year ago in the Convention for European Economic Cooperation which led to the creation of the OEEC. It states that the objective of that body is to achieve "a sound and balanced multilateral trading system." I think you will agree with me that the best expression of such a system is that contained in the Havana Charter.

I am aware, of course, that many of you here this evening are not representatives of European nations. Nevertheless, I know all of you will agree that the success of the European recovery program is almost as vital in the long run to the non-participating countries as it is to the Marshall Plan nations themselves.

I am persuaded that that success would be impossible in a system made up of small, autarchic, uneconomic national trading units, each one dedicated to self-defeating self-sufficiency; each one standing off his neighbor with ingeniously stultifying restrictions.

The situation we now face, and face with a daily increasing urgency, is the fact that in three short years Western Europe must become self-supporting -- a quite different condition than self-sufficiency. Extraordinary aid from the United States under the ERP is tapering off, according to plan, and by 1952 will have terminated entirely. Before that time the framework for a self-supporting economy must be complete.

How are the European nations to accomplish this? They may, of course, avoid immediate risk and aim at a partial recovery by rigidly limiting imports and falling back on all the old devices which have plagued world trade for so many years -- increasing exchange controls, quantitative import restrictions, bilateral balancing agreements and other discriminatory practices.
But if they choose this course are they really avoiding risk? The only safe Europe is a healthy Europe, and, in the view of my Government, to be healthy the participating nations must be integrated to permit an expanding economy, expanding production and expanding trade. This was the basic philosophy behind Secretary Marshall's famous speech — the philosophy that caused the ERP to be accepted by an overwhelming majority of the American people.

The economic concept behind that philosophy is a simple one — that European recovery can best be achieved by nations which are economically closely knit but at the same time joined to the world by unimpeded trade — not by fragments trying to go it alone. There is something in this concept that is very deep-seated among Americans — so deep-seated that it lead, as I mentioned a moment ago, to Americans' supporting the ERP, because it was a proposal that called for an integrated attack on recovery, a multilateral attack, if you will, as a condition for extending American aid to Europe. They accepted that plan when they had abandoned hope in all other plans that involved aid parcelled out on a piece-meal, individual basis.

I can best indicate this feeling by telling you that during my last two trips to the United States the question which was thrown at me from all sides, from the rank and file, from the leaders of opinion and from our most distinguished statesmen, was "What progress are the Europeans making toward economic cooperation? Are they getting to free trade?" The Marshall aid to Europe is being supported by the overwhelming majority of the American people, even though it has cost the average American family about $140 this year in taxes, on the basis of this expectation of effective cooperation. I think it is still based on that expectation. Americans would like to see increasing evidence of progress toward its realization.

Most Americans know instinctively, even if they are not academic economists, that the high living standards in our country, its enormous production and the relatively huge volume of machinery behind each worker in the factory and on the farm were all made possible because we enjoyed an open trading area which extended from one end of our continent to the other.

The Economic Commission for Europe made public last week its European Economic Survey. I should like to repeat the observations I made on the study on Monday in Geneva at the ECE session. I said:

"The Survey notes that productivity of labor in industry in the United States was in pre-war days three times that of labor in Europe taken as a whole, and relatively even greater in agriculture. The Survey further points out that in the last decade productivity in American industry has increased 27 percent and in agriculture 54 percent. It ascribes this astounding rise mainly to higher standards of capital equipment and the use of more efficient production techniques. That is, of course, true.
"But it must be remembered that a basic condition which brought about that higher use of equipment and those more efficient techniques was the existence of a vast trading area uninhibited by artificial barriers and serving as an invitation to the free and economic flow of goods, capital and people. It provided a market of enormous size for the most efficiently produced goods, wherever produced. It encouraged investment wherever it could be most wisely and economically made. It permitted workers to move where the job opportunities called and where they were most rewarding.

"The more the nations of Europe can move together toward the establishment of these basic conditions, the more effectively can their human and material resources develop ever-rising standards of living for their people."

I am convinced that the people of the United States are expecting that statesmen will have the imagination and courage to create conditions similar to these in Western Europe. They do not expect miracles. They understand that temporary deviations from the straight road are necessary. But they want that road kept in sight.

They want to see larger trading areas, and accordingly favor transition arrangements toward customs unions and free trade areas, but they want to make sure that these arrangements will rapidly lead to true customs unions and not simply to new preferential systems in disguise.

They look toward development for underdeveloped areas, but they do not want that splendid objective to result in widespread and indiscriminate use of those forms of protection that tend to perpetuate themselves and to breed ever-increasing restrictions and bilateralism.

They want tariff negotiations that result in duties that are truly lower than those that have traditionally obtained. They will not be satisfied with mere bookkeeping ledgerdemain.

I should like to state in this connection that the Government of the United States has for the past fifteen years earnestly practiced what I am now preaching with respect to the lowering of trade barriers. With the repeated approval of the peoples' representatives in Congress, the United States has negotiated an impressive network of reciprocal tariff agreements with countries in all quarters of the globe. At Geneva two years ago we made substantial and widespread reductions in our tariffs in negotiations with 23 countries, and here at Annecy we are negotiating with all of the eleven acceding countries. At the same time, we have realized that for the present the contributions of many other countries must, of necessity, be delayed in their full effect.

I have placed strong emphasis upon the importance of freeing artificial restrictions to trade. But that alone is not enough. I have mentioned the relatively low productivity
in Europe. All efforts must be directed towards increasing output per worker. Otherwise, the people of Europe cannot look forward to conditions of prosperity. Large unrestricted trading areas are a stimulant to developing higher production at lower costs. Lower costs and lower prices are an essential for Europe to compete in world markets and expand sales to pay for needed imports. Increased productivity in Europe is a condition precedent to attainment of higher standards of living. This in turn leads to increased demands for goods from abroad. Expanded multilateral world trade can only come from higher productivity and higher consumption by each individual. We must have courage and confidence to take the risks and make the present sacrifices to achieve these objectives. It is only in this manner that the aspirations of people the world over can be satisfied.

We have been aware of the urgent necessities during the recovery period, including the emergency use of quantitative restrictions and bilateral agreements where they have been necessary to speed recovery. But as recovery is realized and production rises daily, improving local conditions must be extended into general prosperity. This cannot take place unless these emergency measures are progressively abandoned and unless bilateral agreements, useful as beginning steps, are made to lead to the successive steps towards multilateral trade and towards the free flow of capital.

In making the necessary transitions, it is obvious that the question of proper timing is all important. It is quite true that one must learn to walk before he can run, but it is also true that if a man too long postpones moving from his chair, his legs will atrophy to the point where he cannot even walk.

The progress in recovery is sufficiently encouraging, it seems to me, that we can conclude that the work in which you are now engaged in GATT in building structures for expanding trade comes at a time when it will be a major contribution to our common objectives.