I should like to give you some account of my own experience of seven years devoted to international efforts to establish a liberal trading system, free from governmental controls, import and export restrictions and discriminatory practices. For six of these years, in the drafting and subsequent administration of the General Agreement on Tariffs and Trade, I have been dealing every day - in association with people from all parts of the world - with the problems which are the subject of this Commission's enquiry. I hope therefore that the remarks which I am about to make will be of some interest and value to the Commission.

Mr. Wilgress, the Chairman of the Contracting Parties, has spoken to you of the efforts we have made through the General Agreement and of the position we have reached. He has also described to you some of the major problems still confronting us. I shall therefore limit myself to certain specific points.

In the first place I would like to stress what I think is the most significant change in the situation today as compared with the early post-war years. The early post-war governments in many countries were pursuing policies which implied the continued existence of economic controls as an essential and permanent mechanism for securing social and economic benefits for their own people. Indeed, these tendencies had already begun to show themselves in some countries before the Second World War, and controls had become essential but distorting elements in their economies.

The political atmosphere has changed. The experience of the last few years has demonstrated very clearly the wastefulness, the inefficiency, and the danger of governmental controls and rigidly regimented economies. Even those interests which sought the protection of government controls have learned from their experience that controls are no substitute for efficiency, and create more problems than they solve. Those who believe in the virtues of competition and free enterprise are, for the time being, in the ascendant. In many countries governments are now imposing the strict financial disciplines necessary to combat inflation. They are creating the conditions in which private enterprise and free competition can play their fruitful parts. They are, however, under constant pressure from political sources both of the right and of the left who, from their different standpoints, challenge the whole basis of liberal economic and trading policies. If, therefore, for the time being there is a favourable opportunity, it is a fleeting one and there is not much time to lose if it is to be seized. If the opportunity is lost, I am convinced myself that it will not recur.
The prize which is within our grasp is the return within a relatively short period of time to the free movement of goods and services in international trade, accompanied by convertibility of currencies as the general rule. A major obstacle standing in the way is the continuing difficulty which the non-dollar countries experience in earning a sufficient supply of dollars to finance their imports in North America.

Why should there be such difficulties at the present time? Even before the Second World War the United States was exporting more than she imported. The other countries paid for the excess by income on investments, payments for services, long-term capital movements, and by gold payments. Their receipts from investments and services are at a much lower level than before the war and there is a much reduced volume of private capital movement. At the same time dependence on dollar sources of supply has substantially increased, due to shifts in production and the consequences of the Cold War.

The question is, then, how can international payments now be balanced at the high level which is required to attain the economic and political objectives of the free world?

At the present time it is true that a precarious balance has been established. However, it rests largely upon the maintenance of restrictions on imports from North America and partly on supplies of dollars which are still being derived from programmes of military aid and from other non-commercial sources.

The question is how can we maintain a balance at the levels consistent with the objectives I have referred to without restrictions and without asking the United States tax payer to foot the bill. It seems to most of us that this problem is of manageable proportions and could be solved if the important trading nations pursue the right economic and commercial policies.

In particular, a major prerequisite is that the deficit countries should in fact have an opportunity to earn the dollars they need by a somewhat freer and more secure access to the United States market. It will then be clear that if the deficit countries make the necessary effort to produce and market efficiently the right type of goods at the right prices, they can pay their own way.
While the role of imports in the United States economy is very small and marginal, amounting in all to some three percent of the gross national product, (a figure largely made up of essential raw materials and some foodstuffs) it represents to the deficit countries the essential margin of safety; that is why they have uniformly insisted that a condition of their own advance in the direction of liberal trade is that they should be assured of fair competitive opportunities in the United States market.

Some progress has been made in this direction but it falls short of what is needed.

Under the Reciprocal Trade Agreements Act reductions have been made in United States tariffs and a large number of those are embodied in the General Agreement. But in practice concessions have been limited to those items which cause little inconvenience to domestic producers, - a practice which has been reinforced by recent changes in the Reciprocal Trade Agreement. The sensitive items excluded by this practice are in general those which offer most scope to exporters in the deficit countries. Tariff rates on a large number of items for which the skills of foreign producers are particularly suited still remain at prohibitive levels. Rates of 60%, 70% or even 90% still abound. The statistics of the U.S. Tariff Commission clearly demonstrated that at these rates there is practically no trade in these commodities.

I see from time to time calculations of the average incidence of United States tariffs based upon the relationship of duties collected to the value of goods imported. These estimates are misleading since rates which are so high as to be prohibitive are naturally not reflected in these calculations. For example, a country which accorded free entry of imports of raw material but maintained prohibitive rates on so many manufactures and manufactured goods, could claim a nil incidence. It could hardly, however, claim to have a liberal tariff policy.

A Customs Simplification Act has been passed which has removed some of the additional obstacles facing imports. This is a welcome step but it does not remove the major difficulties. One of the most serious is the system of tariff classification. It is extremely difficult for a foreign exporter or the United States importer to judge under what classification his goods will be entered and therefore what rate of duty he will have to face. Even if he guesses right in the first instance, the initial decision may later be changed and the importer will be liable for any additional duties which this later decision may involve.
I understand that legislation is pending to remove uncertainties arising from the present system of customs valuation. This also is much to be desired since the uncertainties and financial burdens which the present system of valuation imposes on importers is a most serious handicap to entry into the United States market.

The existence of these difficulties places imported goods under additional handicaps which are not generally appreciated. Distribution costs - partly because they have to cover these additional risks - are much higher on imported products than they are on competing domestic products.

There is a more general point on which I would like to lay particular emphasis. I am constantly being told by people in business circles that they really don't believe that they can rely on fair opportunity in the United States market. They do not believe that the United States is willing to accept the competition of imports. In other words they feel that the United States belief in the virtues of competition does not extend to foreign competition. To penetrate the United States market involves heavy expense for distribution, advertising and marketing. Even if this investment has been made, even if the tariff, which sometimes is very high, is surmounted, even if the further hazards of customs administration are successfully overcome, and the exporter manages to establish himself in the market, he still runs the risk that his competition is alleged adversely to affect a United States producer and he is then likely to find the door slammed in his face through escape clause action. It is this scepticism which makes a business man think twice before investing the stockholders' money in penetrating the United States market instead of directing his efforts to less hazardous ones.

The measures which your Commission may recommend for dealing with the specific problems we have been discussing will take some time to put into effect and yield results. Your recommendations in themselves will have immediate effects in that they can go far to remove these doubts once and for all. If so they will have a profound psychological effect which will be important in strengthening the hands of other governments in pushing forward with plans for free trade and convertibility.

I am of course aware that the psychological difficulties are not all on one side. For this reason it is also important to bear in mind the true proportions of what we are discussing. There is no question of the United States market being inundated by a flood of imports. For one thing, countries which export goods to the United
States are simply not equipped to produce on the scale to which the United States is accustomed. Moreover, the natural competitiveness and efficiency of United States industry is sufficient to ensure that foreign competition will be very limited in its scope. I think that the highest estimate one could reasonably make would be that United States imports, as a result of these tariff and customs adjustments, might increase by, say, $1 billion which would indeed go far to balance the accounts of the United States with the non-dollar world. The United States gross national product is today running at some $360 billion so that we are dealing with something of the order of rather less than one-third of 1% of the United States gross national product, or an increase of 10% on the present level of imports. But even this increase will not come all at one time or all at one point. The increase will be gradual and spread over a wide variety of products. This, of course, is not to deny that the increase in imports might cause some difficulties and some adjustments in particular fields, but I do not think that these adjustments are likely to be different from, or more substantial than, those which are continually being made in a dynamic economy such as that of the United States.

So far I have concentrated on the question of imports but the object of this modest growth of imports is to produce dollars in order to enable other countries to pay for exports from the United States. International accounts have to balance. Imports breed exports. If more dollars cannot be earned by imports into the United States, the only alternative will be for the deficit countries to restrict their purchases from the United States. Again it may be said that exports are marginal to the United States economy. But they are a significant margin. They are indeed vital to important sectors of production and, most of all, to agriculture. Dollar exports have had to face a battery of restrictions since the war and would have been still further hit unless the volume had been maintained through foreign aid programmes. No-one would maintain that the United States should continue indefinitely to give its exports away. Nor would anyone deny that there is an eager market for these exports, and, given the proper trading conditions, United States exports will flow freely into the markets of the world.

To sum up I would say that we can get multilateral trade and payments working again, free from control or restriction, if certain conditions are fulfilled. In the deficit countries inflation must be kept under control, private enterprise stimulated and encouraged, and restrictive economic policies abandoned. On the other side conditions must be created in which the non-dollar world can balance its accounts by earning more in the United States market. My personal feeling is that, for the first time since the War, the deficit countries are ready to do what is necessary for a decisive advance in the right direction to be made. The recommendations of this Commission will have a profound influence in determining whether the United States will go forward with them and offer the opportunities which are necessary for them to earn and pay their way.