INFORMAL COMMENTS ON THE OUTLOOK FOR U.S. COMMERCIAL POLICY

1. During March and April 1953, in the course of an extended vacation in the United States, I took the opportunity of calling on a number of people who were in a position — as government officials, members of organizations, representatives of business or as well-informed private citizens — to give me their views about trends in U.S. economic affairs and, more particularly, foreign trade policy. The conversations I had were not limited to New York and Washington, but extended to Detroit, Chicago, St. Louis, San Francisco and Los Angeles. In the final paragraph of this informal report there is a short list of the calls I paid.

2. My visit coincided with a period early in the life of the new Administration when there was a great deal of active interest in commercial policy problems among many sections of the community. New legislation affecting basic policy was being drafted in Washington, concerned in particular with the renewal of the Reciprocal Trade Agreements Act and Customs Simplification. Other proposed legislation being discussed would affect the treaty-making and other executive powers of the President; agricultural subsidies and restrictions on imports of dairy products were also being discussed in committees. At the same time, two vacancies on the U.S. Tariff Commission were a focus of speculation about future tariff policies. (One of these vacancies was filled in April by a "high-tariff" protectionist, Mr. Talbot.)

It should be stressed, perhaps, that at a time when policies were being formed and swords sharpened for battles to come there may well have been an element of overstatement — whether optimistic or pessimistic — which will probably be toned down in the next few months as the new Administration shows more clearly its intentions and its strength to carry them out. But on certain general trends I do not think that the views I formed — and have attempted to crystallize in this informal report — are likely in the short run to be modified radically.

During my visit a number of organizations, associations and groups were in the process of drafting or publishing their views on U.S. foreign trade policy. Earlier in the year the Detroit Board of Trade had made headlines with its statement of free trade policy and this was followed by Mr. Henry Ford's liberal proposals. Early in March the Public Advisory Board for Mutual Security sent to the President a comprehensive report, known as the Bell Report, on U.S. trade and tariff policies; at the same time the Foreign Commerce Department of the U.S. Chamber of Commerce published its report, prepared by Mr. Harry Hawkins and the Fletcher School of Law and Diplomacy, on International Trade Policy Issues. In San Francisco I was shown the first draft of a new statement of policy to be issued by the Chamber of Commerce. In Los Angeles a brief statement of policy was being considered. Towards the end of my visit I saw the draft report on the views of leading citizens compiled by the U.S.
Council on Foreign Relations, and in Boston I was informed of the results of a poll of businessmen undertaken by the New England Council. At the end of April the United States Council of the International Chamber of Commerce published a report of the Committee on Commercial Policy, entitled The Expansion of Trade, calling for progressive reduction of U.S. tariffs by percentages. The liberal trade activities of the League of Women Voters was evident in several cities and I saw their expert advisors in Washington.

The newspapers, during my visit, gave an increasing amount of space to foreign trade matters, in direct reporting of current developments, in editorials and in the widely syndicated columns of such writers as the Alscop brothers, Thomas Stokes and, on the protectionist side, Sokolsky. On Sunday 1 March, Edward Murrow in his television programme presented the case for and against a higher tariff on briar pipes. Fortune magazine, March issue, reviewed the outlook for more liberal foreign trade policies, and in April the Saturday Evening Post had an editorial on the same subject.

I mention the above details to indicate that concern with commercial policy matters in the U.S. today is by no means confined to specially interested groups such as the importers and exporters, nor to a few newspapers in New York and Washington. The subject is already being ventilated and discussed on a nationwide basis. Public interest and public comment will doubtless expand and the arguments pro and con will become more aggressive in May and June when the hearings on the Reciprocal Trade Agreements renewal are held in Washington. As might be expected, the Hearst press and the Chicago Tribune are taking the extreme protectionist stand. But other influential newspaper groups, such as the Scripps Howard press, seem inclined to take a more liberal view or, like the Wall Street Journal, to sit on the fence.

4. To place one's impressions in perspective one cannot avoid considering first the climate in Washington in relation to foreign trade policy developments; for new trade policy requires new legislation and the new legislation brings into the picture the three main participants -- the President, the Congress and, in this case, the State Department, together with the Departments of Commerce and Agriculture and the U.S. Treasury.

In brief, today's climate in Washington is not a happy one with storms ahead and little sign of smooth weather in the near future. The President has given assurances of supporting more liberal trade policies but he has been obliged to take shelter behind a requested one-year extension of the Reciprocal Trade Agreements Act. The Administration's request for a one-year extension and the struggle it faces in Congress, where the so-called Simpson Bill is trying to deprive the President of his authority to overrule the Tariff Commission are indications that the 'trade not aid' concept is a fragile aspiration of this Administration unless the President decides to make a real fight for it.

The President has decided to drop his intention, as originally announced of working out a trade policy under Mr. Lewis Douglas' committee (now dealing
with sterling convertibility problems) and to appoint a joint Executive legislative commission for this purpose. (The transcript of the President's comments, at a recent press conference, on the Simpson amendments to the Reciprocal Trade Agreements Act and other matters of commercial policy suggest that he is not yet well informed on this whole matter and gives no indication of a firm attitude.)

Today the White House is clearly shy of introducing any legislation likely to lead to any further rifts with the Congress or to stimulate Senator McCarthy. The 'trade not aid' slogan seems to have backfired and has set off a congressional revolt. According to press reports, 15 April, the delegation of the O.E.E.C., which was in Washington to explore the possibilities of more liberal U.S. trade policies, was told that there was no chance of getting any legislation through Congress which would lower the existing 50 per cent limit on tariff reductions. And it was told that owing to the temper of the Congress the President had asked for only a one-year extension of the reciprocal trade powers in an effort to save the principle. According to Under Secretary of State Thurston B. Morton, speaking at the Mississippi Valley World Trade Conference on 17 April, over sixty bills which would have the effect of reducing imports have already been introduced at this session of Congress.

"A tariff tide is rising in Washington... Senators Taft and Millikin in Congress and Secretaries Wilson, Weeks and Durkin in the Cabinet form a high-tariff protectionist combine which is playing havoc with plans to permit the Allies to earn more dollars inside United States tariff walls. 'Trade not aid' is still an aspiration, but a fragile one which can be saved only if the President picks up the cudgels and makes a real fight of it. He alone has the prestige to stem the tide. The question is not whether tariff barriers can be lowered, as planned, but whether they can be kept from rising sharply." These words appeared in the Washington Letter, signed by the six highly reputed correspondents of the Christian Science Monitor, 18 April, and were paraphrased by the Washington correspondent of the London Sunday Times, 26 April.

In the State Department itself there has been delay in replacing, (or not replacing) the higher level executives. It is known, for example, that Harold Linder, Assistant Secretary in charge of Economic Affairs, will leave soon; but so far it has been found impossible to discover a suitable replacement. As is well known, but for reasons not revelant to this informal report, morale in the Department is clearly very low. Walter Lippman wrote, 20 April, "The State Department is for all practical purposes of strategy and statesmanship paralyzed with fear and uncertainty, the weakness is worse than ever it was." Nevertheless I am bound to record a somewhat dissenting view, formed on several comments I have received from well-informed sources to the effect that in the foreign trade field the Department's staff is quietly and effectively making a notable contribution in fighting for the policies in which they believe and in fighting against the tide which is for the moment flowing against them.
Highly relevant to the protectionist sentiment in Congress is the proposal of Senator Bricker to amend the President's executive powers. A senate judiciary subcommittee held hearings during April on an amendment to the U.S. Constitution which would remove from the President all authority to make international agreements, "no matter how great the emergency or how trivial the agreement," without the specific authority of Congress. The so-called Bricker amendment is supported by Senator Taft and sixty-two other senators, and it will shortly go to the floor of the Senate. But to become effective it will need a two-thirds vote of the House and the Senate and then ratification by three-fourths of the States. Being an amendment to the Constitution the President would have no veto.

On the agricultural side the picture is equally somber. The Congress is in no mood to lift the control on agricultural imports and has shown signs of wanting more restrictions. The President has asked the Tariff Commission to submit proposals by 1 June, one month before the expiration of Section 104 of the Defense Production Act. The administration would like Section 104 to expire without renewal and to be replaced with an amended Section 22 of the Agricultural Adjustment Act. In a debate in the House Agriculture subcommittee, 16 April, on the extension of emergency procedures to Section 22 the subcommittee took a full protectionist stand on every issue, including their stated intention to press for an extension of the "cheese amendment." In effect, it has been made clear on this and other occasions that the Congress intends to maintain the restrictions on dairy imports either under Section 104 of the Defense Production Act or through some other permissive clause in current legislation, which does not give the President any veto powers.

Turning away from Washington for a moment, my visit to California coincided with the introduction into the California State legislature of a bill which would force every dealer in foreign (i.e. British) automobiles to post a bond of $100,000 and carry a full three years' supply of spare parts for every foreign automobile, thereby effectively prohibiting the importation of automobiles into the State. This proposal was not dropped without a serious debate. It illustrates incidentally an impression I formed in general, namely that the strongest demands for protection sometimes stem from a general desire for "self interest first" rather than from the actual industry likely to be affected by competitive imports. (This is not always so: the chemical industry, particularly the Dupont interests are among the leaders in protectionism and are, incidentally, the backbone of the American Tariff League.)

The "protectionist" lobbies in Washington are very active. There are many indications that the pressure exerted on individual senators and congressmen by industries and agricultural groups, through their Washington offices, is a good deal more effective, at the moment, than the combined efforts of the groups in favor of a liberal trade policy. The former are at an advantage because they can press their case on precise points - tariff rates, and so forth. The latter are at a disadvantage because they cannot back up an Administration which has decided to delay until 1954 the formulation of a
specific new policy. Several managers of foreign trade departments of Chambers of Commerce told me they doubted whether their statements of policy had much effect in Washington; they believed that the value of these policy statements lay more in their own areas where they often won over individual "high tariff" manufacturers. Again and again I was told that what counts are the letters that Congressmen and senators receive in the mail from individual manufacturers, farmers and private citizens.

It would be a mistake, I think, to deduce from the liberal statements of policy issued, for example, by the Detroit Board of Trade, the U.S. Council of the International Chamber of Commerce or Mr. Henry Ford that there is a truly wide and representative group of industrialists in favour of immediately lowering U.S. tariffs and permitting an increase of foreign imports. True there are a number of quite influential individual businessmen, some of them until recently protectionists. But they usually sign these prepared statements of policy in a personal capacity and they are not above being influenced by the advice of their publicity departments. These statements do not usually represent the views of boards of directors. Mr. Henry Ford's pronouncement was entirely devised as a public relations gambit. He has not spoken on the subject again and I was told he was kept away from questioners.

5. Except on one or two occasions I did not seek comments on or analyses of the trend in U.S. levels of business and prosperity. The Administration tends to put out reassuring statements about the prospects of maintaining a high level while the economists tend as a whole to be less optimistic. My somewhat amateur view is that the inflationary period has about reached its peak. Inventories of goods are very high, home building is levelling off, a decline in military orders is in prospect. Interest rates show signs of increasing, and already wages in certain industries are falling slightly. In other words there are portents that the pendulum will now swing in the other direction. The effect of this change may be clearer just at the time when a new trade policy is being worked out in 1954. It will not make any easier the task of the Administration in formulating and putting through more liberal foreign trade legislation.

6. The prospects for legislation affecting foreign trade during the current session of Congress can be reviewed briefly as follows:

Extension of the Reciprocal Trade Agreements Act. The Administration's bill for a straight one-year extension of the Act was introduced in the House of Representatives on 15 April. It was referred to the Ways and Means Committee, which has also under consideration another bill presented by Representative Simpson to extend the Act for one year but with drastic new restrictions. This latter bill, called a "tariff packing" bill, would go far beyond the simple extension of the current Act which will expire on 12 June. It would reduce the President's discretionary powers over recommendations
of the Tariff Commission and would change the present bi-partisan character of the Commission, giving the Republicans four members out of seven. Public hearings on the bills will open on 27 April and the Administration will testify starting 4 May.

Customs Simplification Bill. Discussions on the draft bill were held by the Treasury with trade interests during March, and there is said to be some hope that the bill will be accepted by the Republican majority as non-controversial. As of 22 April, the Bill had not been introduced.

"Buy American" Act (of 3 March 1943). There is no prospect that any amending legislation will be introduced. But a discussion, with possibly useful results, has recently been provoked by the refusal of the Defense Department to accept joint British low bids for certain electrical equipment.

7. The G.A.T.T. "The GATT," Professor Condliffe at the University of California, Berkeley, told me, "hangs by a thread." This is typical of some of the comment one hears. In my view it shows a tendency to jump to conclusions of a pessimistic colour. The Report of the Public Advisory Board (the Bell Report) recommends that the Congress should take steps necessary to enable the United States to join in establishing an international organization "to promote the objectives of the G.T.T." The Report does not regard GATT as a definitive arrangement which should be frozen in its present form. The report written by Harry Hawkins for the U.S. Chamber of Commerce, "International Trade Policies," examines in detail what would happen if the United States decided to withdraw from GATT and concludes that most United States tariff rates would immediately increase to the level existing prior to the acceptance of GATT in 1947 and in some cases to the level existing in 1930. During March this conclusion was challenged in certain quarters and I saw letters from Mr. Hawkins and also from Mr. Wilcox re-enforcing this argument with chapter and verse.

There are certain very influential senators, notably Taft and Millikin, and not a few Congressmen who would like to get out of the GATT without delay. But despite the protectionist mood of Congress the balance of opinion will almost certainly ensure the continuing adherence of the United States at least until the proposals of the Administration have been examined in 1954. But the Congress may well make it clear in all relevant new legislation that they "do not approve or disapprove of this Agreement which was entered into under the President's executive power," and so forth.

While the giving of permanent status to GATT is not a practical possibility at the present juncture, the outlook for a careful review of GATT's strength and weakness is by no means discouraging, and when this review takes place the general trend in the United States, as noted later in this informal report, towards a more liberal view - "internationalmindedness" - should be making itself felt. At present the GATT is scarcely ever mentioned: this is no
serious disadvantage, for this is a time of suspicion, whipping boys and culprits. It would be only too easy to start a "smear campaign" against GATT. As one newspaperman in Washington said to me, "You could easily start such a campaign by getting a Congressman to say or a columnist to write that GATT means socialism." This sounds fantastic but it is not. (For an example of the kind of damage that can be done, there is the current campaign to throw mud at UNESCO.) In many quarters there is no lack of good will towards the GATT, notably among importers and exporters who view with alarm the outlook for their business in 1954 and 1955. But they, too, are wise enough to count their blessings without announcing them too loudly.

Towards the end of my stay there was a private discussion group in New York at which M. Marjolin, Mr. John Williams, Professor Joseph Wyner, Mr. Stinebower, Mr. Stacy May, Mr. Herbert Feis and others were present. Their views -- as reported to me indirectly -- were roughly as follows: (1) it was too late to expect the Eisenhower administration to go all out for a relaxation of restrictions on foreign imports whether by tariff reduction or other means (2) the demand of the farmers for maintaining existing protection could not be withstood (3) by putting off any decisions for a year the President was admitting the weakness of his administration (4) the major question of "what are the Russians going to do" made it much easier to play for a delay (5) the evident distaste of the Congress for a liberal trade policy would divert more energy towards other methods of closing the dollar gap, notably schemes to attract U.S. foreign investment.

6. To attempt to forecast what is likely to happen in 1954 is hazardous. There are too many uncertain factors: the strength of the President to press forward with "liberal" legislation, the mood of the Congress, the trend of business activity, the international political situation, the budget for foreign aid -- and so forth.

In many quarters there is a wealth of balanced, sensible public opinion on foreign trade matters in the United States. The Report on the Views of Leading Citizens, to be published by the U.S. Council on Foreign Relations, shows that in the field of foreign trade they are in favour of a more feasible import policy. The Congress, they said, should continue to delegate to the President limited power to reduce U.S. tariffs, increased imports, they agree, would in some cases lead to smaller profits, reduced opportunity or business failure. It should not be a guiding principle of U.S. trade policy to reduce duties only if this does not damage domestic producers; the welfare of the U.S. economy as a whole is more important than the welfare of individual producers. Finally, they conclude that maintaining U.S. exports is so important to the U.S. economy as to warrant increased imports; if necessary at the expense of injury to domestic producers. These views were summarized from the replies to questionnaires sent in by 825 "leading citizens," representing business and the professions in many cities.
In New England, which is an area with pockets of unemployment and a depressed textile industry, the New England Council polled 1050 leading citizens on the ten most urgent questions of the day. One of these questions concerned foreign trade, and 760 replies indicated that they believed the Reciprocal Trade Agreements Act should be extended without change. No doubt some more expressions of this kind will be brought out during the hearings on the extension of the Act.

In the long run what will matter is not so much the "protectionist pressure" brought to bear on the legislature as the degree to which a generally enlightened view of international affairs develops among all sections of the community. There is evidence that the thinking man is already convinced of the fact that the United States can never again politically or economically shut herself in a watertight compartment. There is evidence that many of the old isolationist elements are gradually coming around to a complete change of outlook. But the hard core remains and its strength to put up a delaying action is shown only too clearly at present. The campaign that will be needed to swing the country behind a liberal trade policy would have to be - as someone suggested to me - on the scale of the fight for the repeal of the Corn Laws. It would need inspired leadership and - in these days - it would cost a lot of money.

9. Among the calls I made during my tour were the following:

**New York**

Representatives of the U.S. Chamber of Commerce
The staff of the United States Tariff League
The research staff of the National Foreign Trade Council
Foreign Editor, Wall Street Journal
Foreign Editor, Business Week
Manager of Commerce and Industry Association
Director of Public Relations of the U.S. Council of the International Chamber of Commerce
The Foreign Trade editor and staff of the New York Journal of Commerce
Mr. Morris Rosenthal, a leading spokesman for foreign trade interests
Mr. Michael Heilperin, Bristol Myers Company
Fortune Magazine, and certain staff writers
The Ford Foundation
Staff members of the United Nations

**Washington**

U.S. State Department, Commercial Policy Staff
International Monetary Fund, Public Relations Director
Staff members of the U.S. Department of Commerce
Staff members of the British Embassy
Foreign Trade Manager of U.S. Chamber of Commerce
League of Women Voters

**Detroit**

Public Relations staff of the Ford Motor Company
Public Relations staff of Burroughs Adding Machine Co.
Detroit Board of Trade

**Chicago**

Chicago Association of Commerce, Foreign Trade department

**San Francisco**

San Francisco Chamber of Commerce, Foreign Trade department
University of California, Department of International Relations

**Los Angeles**

Chamber of Commerce, Foreign Trade Department
University of California, Department of Business Administration

**St. Louis**

Chamber of Commerce, Foreign Trade Department

**Boston**

New England Council