Mr. President, the invitation you have extended to me to address your Conference is an honour which I sincerely appreciate. Your invitation confirms - if confirmation were needed - that the International Labour Organization recognizes the close connection between, on the one hand, the maintenance of high and productive levels of employment, and, on the other hand, the expansion of international trade.

In following your debates, I have been struck by the degree to which this inter-relation between productivity and expansion of trade has been stressed again and again in many of the thoughtful speeches you have heard, as well as in the Report of the Director-General. I have heard the echo here of what I myself never cease from stressing in our own sphere - international commerce - namely that trade is not an end in itself.

This is clearly recognized and stated in the preamble to our basic instrument, the General Agreement on Tariffs and Trade, which says that its member countries "should conduct their relations in the field of trade and economic endeavours with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods".

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In other words, commercial policy, like productivity, which has been the main topic under discussion in your Forum, is a means for attaining objectives which are common to both organizations. But more than this, productivity and commercial policy are inter-dependent because upon commercial policy depends whether the results of increased productivity can find outlets in receptive world markets.

There are several reasons why the International Labour Organization should, and does, lay emphasis on international trade and its benefits. Protectionism and restrictions on trade are often advanced as an effective way of protecting domestic employment, and labour is sometimes presented as one of those special interests which stand in the way of developing a liberal trade system - the system which alone can ensure that the benefits of increased productivity can be garnered. Your Organization has, therefore, a unique opportunity and a concommitant responsibility to speak with a clear voice on this question. Here the problems of labour and employment are seen from an international standpoint, and therefore as a whole; here national employment problems can be seen in their true perspective.

There seems to me to be one proposition which we can never reiterate too often, and that is that national employment problems cannot be solved by exporting them to other countries. When national employment levels suffer set-backs due to temporary variations in the level of economic activity, it is, of course, almost an instinctive reaction to shut out the foreigner's goods, and to try to preserve the home market for the products of domestic labour. But this instinctive reaction becomes a manifest absurdity if one looks at it from the broader perspective and sees it in action in many
countries yielding simultaneously to the same blind impulse. We saw it clearly enough in the thirties and, although our techniques for sustaining the level of domestic employment have perhaps improved since then, no-one can doubt that similar policies today would be any less disastrous.

The acceptance of this philosophy of the independence of employment policies does, of course, connote a similar attitude of responsibility in international commercial policy. It means that each individual government must be conscious of the international implications of its commercial and fiscal policies. A country which pursues persistent inflationary policies can create serious problems for its neighbours. A country which pursues excessive deflationary policies may do likewise. A particularly heavy responsibility rests upon those countries whose economic importance places them in a position of exercising a major influence on the economic well-being of other countries.

The months which lie ahead of us are particularly critical. Great progress has been made in the last few years in restoring production from the reduced levels following the War. Great progress has been made in moving towards a new trading equilibrium. This has been achieved by increases of productivity and the adoption of sound monetary policies in the deficit countries accompanied by generous financial and technical assistance from the creditor countries.

As a consequence of these achievements, we now stand on the threshold of great possibilities. There would seem to be no reason why in the comparatively near future, the restoration of the convertibility of
currencies should not be a practicable possibility, leading in turn to the
removal of restrictions on trade and payments which are at present made
necessary by reason of balance of payments difficulties. What is needed
to achieve this objective is the continuation of the productive and sound
fiscal policies in the deficit countries, and the readiness of these countries
to face the problems which will undoubtedly confront them in dismantling
the restrictions which have sheltered in effect, if not by intention, their
industries from the impact of foreign competition. On the other hand,
creditor countries will have to help both by assisting in the creation of
adequate reserves to support the convertibility of currencies - that is to
say - to enable the trading system to cope with temporary fluctuations
without recourse to new restrictions, and also by opening their markets to
the exports of other countries which need to earn the means for paying for
their essential imports.

I cannot, in the time at my disposal, enlarge on these various problems,
but there is one to which I would like to address a few remarks. I have
spoken of the removal of restrictions, whether they be exchange controls
or quotas or tariffs, by both deficit and creditor countries. This process
will in each case create social problems of greater or lesser degree. If
protection of one sort or another is removed, there will undoubtedly be
some less efficient industries which will suffer. This means also that
some measure of unemployment must occur, but this should be temporary and
labour which becomes redundant in one place should in most cases be absorbed
in other industries which would benefit from a general higher level
of economic activity which would prevail. We must not forget, however, that this frictional unemployment can bring hardship and suffering to individuals, and I would like to see both government and trade unions giving serious study to all possible means of easing these adjustments.

The Director-General, in his Report, has referred to "the notable advantages to be derived from international trade determined for any particular country by the rise in its productivity which results from the international division of labour". The attainment of these advantages can easily be frustrated by the rigidities which result from an excessive immobility of labour. I should like to see greater efforts being made to show that this flexibility and these adjustments are a small price to pay for the immense benefits which are to be derived from the international division of labour.

I conclude, therefore, Mr. President, by asserting that this Conference, and your Organization, have a vital contribution to make to the urgent task to which we should all bend our energies over the next few months and years. There are two clear paths. One leads to an expanding world-wide trading system; the other to closed discriminatory trading blocs. Along the first, the aims and ideals which inspire our work can be achieved; along the other they cannot.