THE TRADE EXPANSION ACT AND THE KENNEDY ROUND[1/]

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This year Americans will turn out more than $600 billion worth of goods and services. if our projections are correct, within 15 years our economy will turn out $1 trillion worth roducts--allowing for just a normal growth rate. In the last 15 years, world trade has led and is growing at a substantially faster rate than our own internal economy. Today, ed States exports are running at the rate of over $22 billion annually and more than 4.5 lion Americans depend directly on international trade for their jobs. Imports are running e rate of over $18 billion leaving us a trade surplus of around $3.6 billion--excluding tary aid expenditures.

I am not trying to overwhelm you with statistics, but I am eager to make the point that the res are encouraging. Because of the dollar's special position as one of two key curren- and the pivotal dollar-gold relationship to international liquidity, the average man in the et hears a great deal more about our balance of payments deficit, than our very comfort- trade surplus.

Let me state the foreign trade figures in a different way. The United States exports about percent more than we import. It is this favorable balance of trade which is at present help- to support U. S. foreign policy abroad and that is very directly connected with our 30-year paign to "reduce tariffs" referred to by President Johnson in his Economic Report to the gress last year. The early cornerstone of this campaign was the Reciprocal Trade Agree- nts program which was fathered by Cordell Hull in the depths of the great depression when value of world trade had dropped by two-thirds, strangled by the combined effects of world- e depression and mounting trade barriers. Our own country had been especially hard-hit ause our share of world trade declined even more than the average. Thus, in 1934, we as- med leadership in a program for worldwide reduction of tariffs on a reciprocal basis. The ult was that, leaving aside the free list, the average duty paid on imports was reduced from r 50 percent in the early 1930's to around 11 percent in 1960.

United States initiative and trade liberalization which has done so much to strengthen the e world culminated in the passage of the Trade Expansion Act in 1962. We are entering the st important phase of the trade negotiations made possible by that Act. These are being led the Kennedy Round of negotiations and are being conducted in Geneva under the auspices he General Agreement on Tariffs and Trade--commonly called the GATT. In the current otiations the United States is seeking linear tariff reductions on broad categories of indus- l goods which will be coupled with the negotiations later on in the year on agricultural prod- s. Briefly, the economic basis for the U. S. search for broad tariff reduction is:

1. U. S. jobs depend on world trade.

2. U. S. farm products need foreign markets.

3. U. S. industry needs exports.

4. Since prosperous industrialized nations are the best customers for U. S. exports, it is in our long-run interest to foster the growth of the newly emerging nations by trading with them and accepting their trade.

5. Foreign trade is vital to U. S. security.

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6. Expanded foreign trade is essential to an expanding economy in the U. S.

7. Exports tend to cushion U. S. economic recessions.

8. If we are inhospitable to receiving the goods of other nations--especially the emerging and uncommitted nations--they are likely to turn to the Sino-Soviet bloc for the trade (and other ties).

9. A liberal trade policy toward the recipients of our foreign aid is imperative to help them (a) stand on their own feet and (b) repay our aid loans ultimately.

10. The freer the trade, the better the allocation of resources.

11. Imports give the consumer a break by providing a greater variety of products and cheaper products.

12. Imports are necessary to furnish the dollars other countries need in order to buy our exports.

These negotiations will be the most important and comprehensive trade negotiations ev held. More countries are taking part in them than ever before--and the field they cover is extremely wide, including not only industrial but agricultural and primary products and not only tariffs but nontariff barriers as well.

One reason the President was given the important tariff-cutting authority in the Trade Expansion Act--and hence the main thrust of the present Kennedy Round--is to give our cou try some leverage in negotiating down the Common External Tariff of the European Econom Community. The economic importance of the emergence of the EEC as a single trading uni would be very dangerous for us to underestimate. "No army," wrote Victor Hugo in post-Na poleonic Europe, "can withstand the strength of an idea whose time has come." Great armie have marched across Europe, attempting to enforce unity under hegemony of Imperial Rome revolutionary Paris, the Holy Roman Empire, and most recently, Communist Moscow. Religious crusaders, too, have tried to impose upon diverse peoples and cultures a common "European" consciousness. Yet any European unity born of coercion, shortly disintegrated.

Today, however, Europe west of the Iron Curtain is moving toward unity, propelled by a idea backed voluntarily by free men and nations, and warmly supported by the United States. France, West Germany, Italy, Belgium, Luxembourg, and the Netherlands, organized as the European Economic Community (EEC), are steadily reducing trade restrictions among them selves toward the eventual goal of completely free movement of men, goods, and capital, and are erecting a common tariff wall against outsiders. It is already a pretty safe bet to haza a guess that the Treaty of Versailles in 1918, which failed to change much that was fundame tal to Old Europe, will not be as long remembered by schoolboys of the 21st century as the Treaty of Rome which brought into being this new European Common Market.

As the year progresses, you will be reading more and more about the Kennedy Round in your newspapers even though some of it may be buried close to the bond section on the business page.

Last Thursday there was a good editorial in The New York Times that forecast our sum mer negotiating outlook as "long and hot" followed by even tougher negotiations in the fall. The paper congratulated us on our patient approach, which Governor Herter's office feels is so essential, since the significance of the negotiations transcends guilders and dollars, pound francs, or deutschmarks. If we succeed, we can lay a solid economic foundation for an enduring partnership for peace and progress, embracing not only the Atlantic nations but the de veloping countries of Asia, Africa, and Latin America. If by any chance we fail, I fear that may leave the Atlantic nations dangerously divided into rival trade blocs, and we may gravel and perilously disappoint the developing nations in their desire to earn, through expanded tra more of the resources they urgently need for their development.

You may have read recently about some of the strains and stresses of the recently finish- d "Confrontation and Justification" exercise in relation to the main GATT partners' excep- ons lists. Also, there have been stories about Governor Herter's recent trip to Geneva and russels in his continuing attempt to persuade the EEC to adopt a more flexible policy in their pproach to agricultural negotiations. These represent almost predictable ups and downs in e international trade bargaining pattern. It will be continuingly important to remember that e turbulence so evident on the surface of the trading world in recent months, although severe, not altogether unusual nor can it be expected at any time to subside entirely. This is, after l, a period of profound change marked by the efforts of Europe to move to a new identity, a w institutional structure, and a new set of relations among its several parts and with the tside world. As this process unfolds, it is natural to expect divergent and contending views to the role, identity, and nature of the new Europe.

The developments in the EEC have a real interest for your industry. As most of you know e Community has recently been taking a substantial portion of your menhaden oil exports for e in margarine and soap manufacture.

In 1962, 44 percent went to the Community directly, and 46 percent went to the United ngdom, Sweden, and Norway, members of the other regional trading group in Europe known the European Free Trade Association (EFTA) who are also involved in the Kennedy Round. though the exports to the EEC went down in 1963, the EFTA share went up, especially that the United Kingdom--and, more importantly, so did prices.

The EEC also absorbs large exports of fish meal from Chile and Peru which might other- se overhang your own now fairly stable market for fish meal in the United States. So inter- ts in the new Common Market cannot be lightly written off.

Despite the fact that last year was the worst year the menhaden industry has had since 58 in terms of volume of catch, overall exports for the first 11 months were above average. m sure you would like to obtain reductions in the duties on menhaden oil from the 17.5 per- nt in Canada and the 10 percent in the United Kingdom and would share our alarm if there re any sign of a duty being imposed by the EEC. Also, I know you want our negotiators to ar in mind what heavy import years like 1962 can do to the stability of the structure of the mestic market, particularly on the West Coast.

Let us now turn our attention to the more general aspects of the Trade Expansion Act ich set the stage for the Kennedy Round which is just getting under way in Geneva. The Act eated the post of a trade czar who was to be called the Special Representative for Trade gotiations. Governor Herter was appointed to this post and today chairs a Cabinet-level mmittee, the Trade Expansion Act Advisory Committee (TEAAC). He has a staff of 27 on ich I serve. The preparations for the negotiations started in earnest in December of 1963 h simultaneous public hearings before the Tariff Commission and the Trade Information mmittee, an inter-agency Committee. During the four months of these hearings, hundreds briefs were submitted and hundreds of witnesses made personal appearances--most of m, of course, representing industrial interests. I should like to express at this time my eat appreciation for the thought and effort which many industries devoted to the preparation their briefs and their testimony. Your own menhaden interests were most ably represented ore the Trade Information Committee.

All of this information was digested and analyzed by the Government agencies concerned. was supplemented by special studies, some of them very extensive indeed, conducted by our ice or by other Government agencies. Thus, when the process of formulating the U. S. ex- ptions list began within Government, it was against a background of factual information that s both wide and deep.

This process continued with the Trade Staff Committee, an inter-agency Committee chaired a representative of our Office. Seven Departments were represented on this Committee by nior members of their staffs--Commerce, State, Agriculture, Labor, Interior, Defense, and Treasury, plus a non-voting representative of the Tariff Commission.

Recommendations then go on through higher levels with the relevant government agencie involved through the constant coordination and guidance of Governor Herter or his staff. Th our negotiating positions vis-a-vis our trading partners are very carefully arrived at and in-volve literally hundreds of experienced Government officials as well as representatives of th business community.

There will be more U. S. business involvement in the Kennedy Round than in any previo tariff negotiations. Indeed, the Trade Expansion Act specifically requires us to seek inform-tion and advice from representatives of industry, agriculture, and labor. To fulfill the lette and spirit of this legal requirement, two major steps have been taken.

First, the President has appointed, upon Governor Herter's recommendation, a Public A visory Committee on Trade Negotiations, consisting of 45 prominent citizens--leaders in in-dustry, agriculture, labor, the professions, and consumer affairs. As you know, the Executi Secretary of the National Menhaden Association is a member of this Committee. Members o this Committee serve as individuals rather than as representatives of their special fields of interest. They have met a number of times so far and meet again March 4. On each occasio they have received an up-to-date briefing on the progress of the negotiations and have been consulted on the most important pending policy questions. We have benefited very much fron these give-and-take discussions, and I hope that the members of the Committee feel that the have as well.

Second, a Roster of Technical Specialists drawn from industry, agriculture, labor, and consumer organizations has been established. Their chief function will be to provide our ne-gotiators with factual information (economic, technological, marketing, et cetera) that is rel-evant to the negotiations.

When we need specialized information in any given field to supplement or update the larg amount of information already gathered by our office through the public hearings and from other Government agencies, we shall ask the technical specialists concerned to provide it. A you may know, the General Manager of the National Fisheries Institute is one of our ten tech-nical specialists in the fish industry. Three other gentlemen recommended by the Institute are also on our Roster.

In concluding, I should like to make a guess that the negotiations which I have been dis-cussing will take another year or more to complete. Our main focus will be achieving reci-procity or a balanced agreement among the participants. Although reciprocity is a rather ne ulous concept for which there are no precise standards, the negotiations will involve the sho ening and lengthening of exceptions and offer lists until, finally, countries are satisfied, in t context of the overall negotiations, that a satisfactory "deal" has been made.

We are prudently optimistic that the negotiations will be a success. Despite the past an prospective crises in the Kennedy Round, it appears that no country really wants the negotia-tions to fail. Their failure would have more than economic consequences. Not only would th opportunity for the world's most extensive liberalization of trade barriers be missed, but a severe blow would be dealt to hopes for strengthening the Atlantic partnership.

It is not claimed that the Kennedy Round will solve all our problems but it is a good fran work to advance the solution of many international economic ones. All the free world proble cannot be solved this year or the next. But we must continue to try for equitable solutions. Haggling is better than fighting. The doctrine of comparative advantages assures us that it w mutually benefit participating nations in foreign trade. As President Kennedy liked to say, a rising tide lifts all boats.