

son, the removal of barriers to the free exchange of goods in the international market has been a major cornerstone of U. S. policy since the 1930's.

The results have been impressive. Tariffs of industrialized countries have been reduced to roughly one-third of their immediate postwar level. Between 1950 and 1970, U. S. exports quadrupled from \$11 billion to \$43 billion. U. S. workers, farmers, and businesses have gained greater access for their products in world markets, while American consumers have benefited from an increasingly wide variety of products from other nations. The postwar prosperity of this country and its allies has been enhanced by a rapid growth in trade between us. These trading relationships have provided a solid underpinning for our strong political bonds.

In recent years, however, international trading relationships have changed significantly. The European Community and Japan are now centers of economic power and strong international competitors. The Community is today the largest trading area in the world. Japan has made rapid advances in productivity and become a vigorous exporter. But discriminatory trading arrangements are assuming greater importance. Additional trade barriers have been erected. And past reductions in tariffs have exposed other barriers to trade, which have not been adequately addressed.

Within the world trading system, the United States recently has experienced its own particular problems. The productivity of American labor and industry has not increased as rapidly as that of some of our important trade partners; our rate of inflation in recent years has been unacceptably high; and the dollar had become overvalued. The combined effect has been a reduction in the competitiveness of American products in domestic and foreign markets. Our balance of trade has eroded to the point that in 1971 — for the first time since 1893 — we experienced a trade deficit. Our problems have been complicated by the fact that our major trading partners maintain barriers — in many cases both unwarranted and outmoded — which are detrimental to our exports. These have been focal points of political friction and have held back growth in employment in specific U. S. industries.

Trade Policy. Our objectives in 1971 were:

- to curb inflation and realine exchange rates, thereby increasing the competitiveness of American products;
- to seek removal of specific barriers to U. S. exports;
- to set the stage for further international negotiations leading to a more fundamental attack on trade barriers;
- to strengthen the export competitiveness of American industry;
- to facilitate adjustment of domestic industries to the pressures of excessively rapid import increases, and to assist in some cases with measures to cushion the impact of these pressures;
- to broaden and increase opportunities for trade with Communist countries.

The Measures of August 15. Our comprehensive program of August 15 has achieved significant success in dealing with the root causes of our trade problem:

- The December realignment has corrected a major problem. The previously overvalued dollar had made American products artificially more expensive than competing products in foreign and domestic markets. Conversely, the products of countries with undervalued exchange rates were relatively less expensive both at home and in other markets. The appreciation of other currencies relative to the dollar, by adjusting this situation, should substantially improve our export performance and dampen the increase of imports.
- The wage-price freeze, and the subsequent restraints of Phase II, should enable us to check inflation. The high rate of inflation that became entrenched in the latter part of the 1960's exacerbated the problems caused by the overvalued dollar. Reducing inflation will increase the competitiveness of American products and thereby strengthen our export performance. It will make our products a better buy for our own consumers.
- We have made positive progress in resolving a number of trade issues, which will result in the removal of certain restrictions against American ex-