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POSTWAR FOREIGN ECONOMIC RELATIONSHIPS OF THE UNITED STATES
17 April 1946.

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CAPTAIN HENNING:

Gentlemen, from time to time, we hear a great deal about foreign economic relationships of the United States and certainly a great deal on the question of foreign trade. I have read articles on the astronomical heights to which foreign trade of the United States might be expected to go. By using what Colonel Brown sometimes describes as just plain country common sense, I have never been able to figure out just how we could sell more abroad than we are willing to buy from abroad, in either goods or services. It has been suggested that we can meet that situation by just giving more away. Well, maybe that is what we are supposed to do.

However, reading Mr. Stinebower's very distinguished record, in which he seems to have been a member of nearly all the various bodies, over the course of the years, that had anything to do with monetary or economic relationships in the United States, I am sure that he will give us an answer to this dilemma which occurs to my mind and perhaps to yours.

Mr. Stinebower is the Deputy Director of the International Trade Policy. Since 1934 to date, he has been in the Department of State, and among the positions held in this period were: Assistant Adviser on International Economic Affairs; Chief, Division of Economic Studies; and, as I said, Deputy Director, Office of International Trade Policy, which he now holds. Mr. Stinebower.

MR. STINEBOWER:

The question that was just put to you is really at the heart of all the things that I have to say. I intend to have one or two things to say about them, in just a few minutes, but before I do that, there are a few introductory remarks that I would like to make.

The topic on which I was asked to speak to you, was "Postwar Foreign Economic Relationships of the United States", and on that there are three or four general comments that I think are worth making. They may be self-evident, but it is well to make sure that we all have them in mind, at least the point of departure for my remarks. I do not necessarily ask that they be accepted as the common viewpoint, but at least you will understand the assumptions and places from which I am departing.

In the first place, there is a good deal of controversy over whether this country has a foreign policy as a whole, and particularly a foreign economic policy; on the other hand, it is sometimes assumed, either with praise or with censure, according to the viewpoint of the particular writer, that the foreign economic policy of the United States is only the State Department's policy.

The best way I know of dealing with that is to try to get a brief, concise definition of that foreign economic policy, or, at least the directions in which it is orientated from outside the department. Two recent definitions have come from the President.

On 1 March 1946, he transmitted to Congress a statement on the foreign loan policy of the United States in which this sentence occurs: "The international economic cooperation, which is the keystone of our foreign economic policy"--and he goes on with some more words about it. He defined it as a policy of "international economic cooperation".

He defined it rather more extensively in his Army Day address in Chicago on 6 April 1946. And he defined it in an interesting way because it is one of the few occasions, to my knowledge, in the last ten or twelve years, when there has been an attempt to define foreign policy, including foreign economic policy, not merely as some general body of doctrine, but as running in terms of specific areas of the world. If you will bear with me for about a minute and a half, I propose to read a few excerpts from that speech, because it summarizes foreign economic policy more succinctly than I could otherwise. In the middle of his address he said these things: (These are not consecutive quotations.)

"The roots of democracy, however, will not draw much nourishment in any nation from a soil of poverty and economic distress. It is a part of our strategy of peace, therefore, to assist in the rehabilitation and development of the Far Eastern countries. We seek to encourage a quick revival of economic activity and international trade in the Far East. To do that we stand ready to extend credits and technical assistance to help build the peace...The people of the Near and Middle East want to develop their resources, widen their educational opportunities, and raise their standards of living. The United States will do its part in helping to bring this about."

Turning to Europe and again referring to economic reconstruction and need for help from the outside, he said: "The United States is in a position to help; we are helping now; and we shall continue to help. We shall help because we know that we ourselves cannot enjoy prosperity in a world of economic stagnation. We shall help because economic distress anywhere in the world is a fertile breeding ground for violent political upheaval."

And only one other quotation. "We seek to lay the groundwork of a world trading system which will strengthen and safeguard the peace. We want no return to the kind of narrow economic nationalism which poisoned international relations and undermined living standards between two World Wars. We shall work to achieve equal opportunity in world trade because closed economic blocs in Europe or any place in the world can only lead to impoverishment and isolation of the people who inhabit it."

Those are rather isolated and condensed statements, but out of them I think we can draw five elements which are the heart of the foreign economic policy of the United States.

First, it is a policy which seeks to achieve its results by cooperation rather than by unilateral action only. Second, it is a policy that is directed toward financial and other assistance in the economic rehabilitation and development of other areas. Third, it is devoted to the restoration of international trade on a nondiscriminatory basis, and this obviously involves a shedding of much of the apparatus of control and of wartime techniques in the use of trade for noneconomic ends. Fourth, it is a policy of opposition to economic blocs, regionalism and exclusive arrangements. Fifth, it is based on the belief that this is an integral part of the total foreign policy of the United States which is directed toward the achievement of international security and prosperity for the United States.

Now just one more word, because I do not intend to come back to this peace and security aspect very much. A lot of nonsense has been written over the years about the so-called economic causes of war and the relationships of economic factors to the things which bring about war. I think the relationship is far less dramatic and far less direct than it is often alleged to be. It is reasonably clear that without prospects of national security, very few countries will feel that they are able to plan their economic policies along lines which are principally devoted to what may be called economic ends, namely, higher and rising standards of living for their own people. They will feel the necessity of directing their economic system so as to insulate it as much as possible from outside influence.

So first of all there is the negative relationship that without a reasonable prospect of security the economic policies that I am talking about have only a partial possibility of succeeding. Second, on the converse side, there is likely to be little international security in a world in which people feel unsafe in their homes, their jobs and in their conditions of living; especially if this insecurity can be made to appear to be the direct or indirect result of the hostile economic policies of other countries. I emphasize those words "if it can be made to appear". All of you are probably as familiar, and even more familiar than I, with the status of German foreign trade in the middle 1930's. At the same time that Germany was whooping it up and convincing its people, that they were being economically strangled and that they had no access to raw materials, its raw material imports, at least those conducive to wartime development, were higher than they had ever been in its history. This relationship is more often than not a psychological one rather than a real one, but it is a factor in the determination of our and other people's foreign policies.

Economic policy sometimes is very disconcerting to both those interested in political policy and those interested in strategy, because they feel the economists live in rather a dream world. Economic policies are not differentiated enough by areas of the world. There is some element of truth in the criticism, but for the most part, the situation arises not out of the predilection or predisposition of the economist or the planner of economic policy, but out of the perversity of the

economic facts themselves. A political problem, by its very nature, tends to have, in most cases, a geographical locus. A boundary question, for example, has a geographical locus. A problem that involves political relationships between two countries may ramify out into a great many fields, but, by and large, by definition again it is confined to the area in which it arises. But such things as economic relations, the distribution of economic resources or the decisions of traders, where and when to trade, bear, frequently, very little relationship to the actual places where boundaries have been drawn. Economic areas by no means automatically correspond to political areas. Political areas, by definition, are confined within boundaries. Economic policy, just by its very nature, tends to overlap boundary lines and to become more generalized than political policy.

The disadvantages of differentiating among countries or areas are far more obvious in the case of economic policy than they are in the case of political policy. That does not mean to say that a country's economic policy always has to be all of one pattern. But traditional Anglo-Saxon approach has been, at least for a century, pretty much that what was good economic policy vis-a-vis one area was equally good for another. Economic policy stood more or less on its own legs; however, much of the other elements in foreign policy might be tailored to individual situations, although economic policy tended to be uniform toward all countries at a given time. In no small part, of course, this merely reflects the "laissez-faire" basis of the Anglo-American tradition.

Now there appears to be a tendency for political and economic policy to move closer together. In other words, while by the very nature of the facts themselves I think the economic policy will always be rather more generalized in character than the political policy. I also think there is an increasing tendency in the United States--largely unconscious--to move toward a more conscious and concrete definition of the foreign policy of the United States; not merely to define it in abstract terms, but to define it in terms of particular countries and regions of the world. An evidence of this is the speech of President Truman, from which I quoted at the beginning. In it, economic policy--even though the same things were said for each area of the world--was reviewed area by area along with the political problems. In the past there has been given frequently a statement of political policy, area by area, with a few paragraphs on foreign economic policy as a unit.

One other general comment. American economic foreign policy is for the most part rather obviously based upon the assumption that it is intended to contribute to a condition of security and peace; and it is further based on the assumption that conditions of reasonable security and peace will exist throughout the world, at least so far as the United States is concerned. It is not a policy of continued preparedness of war nor a policy of maintaining the weapons of economic warfare, sharp and ready to use on a moment's notice. It is what a former Adviser to the Secretary of War, called in his little book "The Sinews of Peace" rather than the sinews of war.

I have taken the time to mention these various preliminaries because it seems to me that they need to be said and need to be borne in mind--those concepts are back of the foreign economic policy of the United States. I shall not have time to cover in this lecture all the various aspects of that policy; the major points in the foreign economic policy of the United States, as I see them are listed in the outline which I was asked to prepare and which I assume has been distributed.

In the few minutes that remain, I want to pick out two of the items which seem to be the heart of and to embody most of the remaining elements in the outline; one is the International Trade Policy as exemplified in proposals recently published by the U.S. Government and the other is our Foreign Investment Policy as embodied in part in the pending loan to the United Kingdom.

There is no mystery and nothing sacrosanct about a large and expanding foreign trade, despite some excessively enthusiastic speeches that are sometimes made. What is desired in encouraging and expanding foreign trade is that foreign trade should be allowed to develop naturally to make such contribution as it can to the standards of living of this and other countries, with primary emphasis, of course, on the standards of living of this country. It has many auxiliary virtues and some defects, but that is its principal function and that is the only function that any reasonable, careful statement of it would claim.

In the United States, foreign trade is certainly never going to--at least in the foreseeable future--constitute anything like the proportion of our total production or national income that it does for countries which have a less varied economy, a less wide range of industry and natural resources. On the other hand, it could contribute obviously very much more to our economic welfare, it would play a very much more important role in our economy if we are not determined, as we have been sometimes in the past, to put as many barriers as we can in the way of the flow of trade. Most important, however, at the present time and for the last ten or fifteen years, have been the barriers and obstacles that other people have put in the way of the flow of trade. These recent barriers have not taken the traditional forms of excluding goods, but they have characterized quotas, regulations, licensing requirements and so forth. As a result each individual shipment frequently is closely regulated, by which the direction and origin of exports are closely controlled. The control is in relationship to the balance of payments of a country, not in relationship to its total balance of payments--whether it has total means of payment or not--but related to the terms of the trade balance of each individual pair of countries. Those things certainly have done more damage to American foreign trade than have any other kinds of control.

After World War I, we were very much impressed with what was then called the German penetration--economic penetration--of Europe and South America. The Allies met in Paris in 1916 and passed a resolution which they never put into effect. The resolution stated that the methods which the Germans had adopted were horrible and should be condemned; it practically threatened to destroy the trade of Europe; and after looking over

this horrible monster, the statesmen of Europe decided that the only thing to do was to adopt the same monster for themselves. The Paris conference in 1916, therefore, announced that the European allies were going to adopt a system closely controlling trade. Later President Wilson came along with his famous fourteen points, the economic clauses of which found very little reflection in the covenant and furthermore, in the meantime, the United Kingdom had some second thoughts.

This time, the picture has been rather different. I think, in part, it is due to the fact that the defeat of the enemy has been more decisive, at least it appears to have been more decisive than it did to the victors the other time. The same concern has arisen however, over the misuse or abuse of trade controls for noneconomic reasons by Germany, in the middle 1930's, which drew all of southeastern Europe into its own economic orbit. This time there is another factor as well. The countries of Europe have had a good deal of experience with the impoverishment they brought on themselves, perhaps, without any other alternative, by means of trade controls. At any rate, the economic policies of close control and of discriminatory control which they adopted brought them certainly not prosperity but it brought them a great deal of difficulty, a great many administrative headaches and restricted trade.

The postwar proposals that have emerged have been all a part of one pattern. It has been recognized that large areas of the world have been devastated, and are going to be short of purchasing power for some years to come; they will have to be allowed a transitional period in which they will be permitted to exercise certain controls for the conservation of their foreign economic resources. It is recognized also that if there is going to be exchange stability and the free conversion between currencies, which would make it possible for one country to pay another in any currency it desired, and to buy from any supplier it chose, there would have to be some kind of monetary cooperation. Out of that came the International Monetary Fund. It was recognized further that these countries will not be in a position to resume their active foreign trade or their active place in a prosperous and peaceful world, unless they have some way of rebuilding their war damage and have some financial assistance for it. Out of that came the International Bank for Reconstruction and Development and the foreign lending policy of the United States Government, chiefly through the Export-Import Bank, although in some cases direct loans, government to government, with direct approval of Congress, have been contemplated as in the case of the proposed foreign loan to the United Kingdom.

It was recognized further that the development of the resources of areas which are relatively undeveloped and relatively scarce in capital is not a matter that brings distress and poverty to previously industrialized areas, but tends to increase the economic relationships and the stability of both types of countries. Out of that has come an investment policy not merely for reconstruction purposes, but for continuing economic development.

Finally, underlying all of these proposals, it has been recognized that there is no use going on making loans, there is no use trying to extend financial assistance to other countries, unless some way for loans to be repaid is afforded; and there is only one way they can be repaid, through an increasing flow of goods and services, not merely into the United States, although that is a very real and key point, but between all countries. For that reason, the United States has launched, with the support and approval of several governments, including the British, several proposals for an International Conference on trade.

One of the very real differences between these proposals and between the Economic Conferences that went on in the interwar period from 1920 to 1938 is the fact that all of those conferences were, in a very real sense, conferences of experts which generally meant that governments did not accept responsibilities for carrying their recommendations into action. The policies that have been proposed this time (they are not adopted, they are not accepted by the rest of the world yet) are not merely a set of fine resolutions about what would make the world economy tick, but, as in the case of the International Monetary Fund, they are a series of obligations which countries would undertake--a code of economic behavior which they undertake. The proposals do provide for establishing international trade organization. That is important, but it is secondary to the principles--the obligations of countries themselves to abide by this code of behavior. Among other things, the code of behavior involves an agreement to reduce tariffs and to work toward the elimination of all preferences. It would commit signatory countries not to use quantitative limitations upon imports, except under very carefully defined circumstances and under, as it were, international sanctions. It would provide that so far as export subsidies are concerned, very few of them could be used, except again under very carefully defined circumstances; and domestic subsidies on production would be a matter for international consultation. It would provide rules governing state trading. These are admittedly very difficult to formulate; no one would be foolish enough to attempt to say that they are foolproof or ironclad. But they would provide some standards, some rules, governing state trading enterprises and governing countries which conduct their trade exclusively on a state trading basis. The proposals also recognize the fact that restrictions on trade have not been merely those imposed by governments. Accordingly these proposals would commit governments to action to limit or restrict or prohibit those activities of international cartels which are found to be restrictive of international trade. They would provide for a freer flow of technology and patented information between countries. They would provide for broad intergovernmental supervision of troublesome problems of surplus commodities in the form of international commodity agreements, rather than leaving them to cartel arrangements or to small intergovernmental arrangements between just the producers concerned. Now that is one thing the proposals aim to do--lay down a definite code of behavior.

The second thing is to implement these policies and not merely adopt them as principles. Recognizing the fact that during the interwar

period there were many fine resolutions made on which very little action was taken, the United States has already invited 15 other countries to sit down with it in the largest negotiation, under the authority of the Trade Agreements Act, that has ever been undertaken. In other words, when the nations come to an international trade and employment conference, they will know what the prospects are for success. They will be asked to give up certain kinds of trade controls. They will be able to test the prospects for general international agreement by the action of countries which represent a major portion of the world's trade.

These 15 countries include, in addition to the United States, all of the independent parts of the British Commonwealth, the United Kingdom, the Dominions and India, the principal trading countries of Europe, France, Belgium, Netherlands, Norway and Czechoslovakia. The invitation to the Soviet has not yet been accepted. Brazil and Cuba are included. If those countries can agree, among themselves, to make a substantial reduction in import duties and their other various trade controls, they will have laid the groundwork for a general international undertaking to reduce trade restrictions which means what it says and is not just an indefinite pledge for the future.

The third difference between this and the interwar period is not very well defined, but I think it inevitably emerges from the foregoing. It is what might be called, I suppose, a redefinition of the most favored nation clause. It has been our policy to afford equal treatment to all countries which reciprocate. Those countries which do pursue a most favored nation policy accord equal treatment to the imports of all other countries, the only test being this: Does the other country accord equal treatment? No matter what the level of restriction, does it give equal treatment to your own trade with that which it gives to the trade of any other countries? Probably there is emerging--this is a personal guess--but there probably is emerging, a second condition of being entitled to most favored nation treatment, and that is that in addition to being nondiscriminatory there must be some judgment as to whether the country's behavior is such as to entitle it to receive most favored nation treatment. That has its advantages, but it also has its disadvantages for the United States, if we do not continue to pursue our present brand of economic policy.

During the 1920's we pursued more or less a policy of equality of treatment behind a pretty high tariff--high in the terms of the 1920's, one of the highest in the world in terms of the 1920's. We treated all countries equally, but equally badly. But if this emerging policy of which I have been speaking had been world policy during the 1920's then it would not have been sufficient that we merely treated all countries equally to have been entitled to equality of treatment for our imports into those countries. In other words, in order to be entitled to tariff reduction and trade benefits of other countries, we should have had to do something about our own tariff rates. That has its obvious disadvantages. On the other hand, it is a means by which if the United States and the United Kingdom and other major trading countries continue to see eye to eye on foreign trade, a policy of equality of treatment forms almost an economic sanction; it forms an inducement, at least, to other countries to participate in the same kind of trade system.

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Now just one half minute about the British loan. The details are reasonably well known. It has been before the Congress for some little time and debate on this loan begins in the Senate this morning. It is a part of financial and commercial agreements concluded with the United Kingdom last December. It has been emphasized again and again that it does not constitute a precedent for a lot of loans of great magnitude to other countries by the same device. On the other hand, it does constitute an integral part of the foreign investment policy of the United States. It is aimed to tide over the period in which the productive capacity and the economy of a country disrupted by the war is recovering its capacity to export and to stand on its own feet again and to fit into the kind of a world economy which we hope to see rebuilt.

We got three sets of agreements out of the United Kingdom. First, we got a settlement of all overhanging war obligations, including lend-lease. Second, we got British agreement to support the commercial policy principles that I have just outlined and to work with the United States toward persuading other countries that they were sound. Third, we got their agreement to shorten the transitional period that I referred to in the beginning. Immediately the loan is approved, exchange controls against American nationals are to disappear. By the end of 1946, the discriminatory aspects of quantitative regulations, quotas and so forth, against the United States disappear. Within a year, the balances of the so-called "sterling area" are to be unblocked. During the war the United Kingdom controlled the use that could be made of all dollars received in any part of the sterling area, including practically all the British Empire except Canada and also including a good deal of the Middle East. Now within a year from the date the loan becomes effective, those areas will be free to spend their dollars as they see fit. That in itself is a rather substantial accomplishment, if one can judge by the volume of complaint from American business and from political observers throughout the world against the continuation of the sterling areas "dollar pool".

So far I have not mentioned any exceptions or special problems arising in connection with American commercial policy. I have spoken as though this policy entirely concerned the field of economic welfare. It is not. Most of you are pretty well aware of the interdepartmental considerations that have been going on in connection with stockpile policy. There is unanimous agreement among all branches of the Government that there should be a stockpile policy. The essential fact is that we shall endeavor to maintain a stockpile of strategic materials and that is the accepted policy among all departments and agencies.

There are also other special problems in connection with strategic materials. There is no need to elaborate on synthetic rubber. The first report on the Rubber Committee is out and the second will follow soon. We are committed, in some form or other, to maintain some part of our consumption of that strategic material out of domestic production, whether or not it fits squarely with the general principles that I have just enunciated. Recent legislation has been introduced in respect to wool.

Another class of exceptions, on which there is less unanimity among government agencies, is the question of conservation of natural resources, both from an economic and strategic point of view. It seems quite wise to me to conserve some of the resources in the Western Hemisphere that are being depleted. However, the most appropriate means of accomplishing this is not always universally agreed, even by those people who consider conservation as a desideratum or by those who favor the stockpiling of strategic materials. There is a strange view held by some that the best way to conserve things is to keep them in active production so they will be used up faster.

Finally, there is one very real problem which has to be worked out not only in this country but in all other countries, that is, obtaining consistency between domestic economic policy and foreign economic policy. The field in which that becomes most apparent is the field of agricultural policy. This country is by no means unique in experiments such as the Agricultural Adjustment Administration, conservation payments and subsidies to producers to produce or not to produce, as the balance of supply and consumption seems to require. It is a tendency that is common to practically all countries of the world, including the minor agricultural countries. Governmental export policies for agriculture are common to nearly all countries of the world and they involve contradiction with some of the principles for conducting world economy which the United States is trying to sell the rest of the world at the present time. Part of the answer, undoubtedly, lies in whether there is success or lack of success in achieving a reasonably full standard of employment in all countries, with high standards of income which would soak up the larger part of what has been agricultural surpluses and which would provide employment opportunities for the excess labor--using labor in the broader sense--in agricultural occupations.

The path of the economic policies that I have just outlined is a reasonably thorny one, and I should not like to give you the impression, by the unqualified statements I have made, that I think we will get every one of these principles in the absolute form in which I have set them forth for purposes of brevity.

GENERAL ARMSTRONG:

Mr. Stinebower, would you be willing to answer some questions? We talked about international trade relationships, the matter of exports and imports of goods and services: To what extent is the State Department concerned with the question of potentially hostile countries and the export to them of our advanced technologies of production? It seems to me that we have to consider that and I suppose the State Department is the agency that ought to do it. I wondered if there was anything done along those lines.

MR. STINEBOWER:

Well, it breaks down into two branches of technology. In one the answer is pretty clear. The other is evolving. If the military establishments, the Army and the Navy, declare that any technology is of strategic

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importance, they must give release before that technology can be exported. If it is not of strategic importance, the general policy, I think, is fairly stated by saying that the Government has no authority, nor is it its policy, to restrict exportation of such technology--it becomes a matter of business judgment of the firm that wants to export that technology.

On the other hand, the Department of State does very frequently point out with respect to particular countries, that the reverse and reciprocal flow of information is not apparent and that may be a consideration on the part of firms that are attempting to find a market abroad for their technology. A microscopic examination shows no reciprocity. That is the situation so far as I know how to define it.

I can only say beyond that that the question you have put has given a great deal of cause for re-examination of the policy. It has been broadened a little bit. It has not been merely put on the basis of potentially hostile powers but it has also been put on the basis of reciprocal flow of technical information. I believe that is the view also expressed not merely by the State Department, but also by the Army and the Navy, that on the basis of a reasonable reciprocal flow, except for classified technical information, we probably have almost as much to gain by encouraging a wide interchange of technical information even with potentially hostile powers as we have to lose by having everyone keeping his own scientific information as secret as possible.

GENERAL ARMSTRONG:

I think everybody would agree with that, but, as you say, "a microscopic examination shows no reciprocity in the case", that, I think all of us are thinking about and I just wonder if it cannot be used as a way of acquiring some reciprocal agreements.

MR. STINEBOWER:

We have on quite a number of occasions raised the issue. We do not brag about the results, up to now, which also involve several issues; one is the negotiating power, the negotiating skill we have to offer; two is, what are your weapons and techniques? This country is, at the present time, pretty largely devoted to a system of private enterprise, and there are no peacetime powers, after wartime powers are relaxed, no peacetime powers to say to a company, "You may not export," unless there is a strategic interest involved. It would take legislation to make ironclad policy. On the other hand, mere advice from executive agencies is frequently influential in determining the policies of companies. That depends somewhat on the company.

QUESTION:

My committee is working on resources that we obtained from foreign countries and we are almost agreed, I believe, that it is desirable for rubber and quinine to be drawn from the Western Hemisphere.

Now suppose we worked up some arrangement by which rubber and quinine might be grown in Central America and South America. We would buy that at a premium price merely to keep the industries alive. How would that conflict with your utopia view of free trade for everybody?

MR. STINEBOWER:

In the first place, I would not propose free trade for everybody. Your question presents a very real problem and I would say the answer depends, in some part, on whether the United States wants frankly to say that it is doing it for defense purposes. I perhaps should answer the question most flatly and directly by saying that it would conflict, but if it is decided to be national policy, it has to be excepted out just as there are other things that have to be excepted out. There are programs for maintaining certain industries for strategic reasons. The synthetic rubber industry, from what I understand of the way discussions have gone, would have to be excepted out. The answer is that we just have to decide what is over-riding in the interest of national security. If it is the general consensus of the Government, which is arrived at by the various legislative and executive branches, we would have to make exception for it. The difficulty in making exceptions to the general proposals is that ours are relatively few in comparison to any other country whereas the same general exception would allow other countries a much longer list of special cases in view of their narrower range of industries and resources. We would have to begin to decide where or at what point exceptions begin, on behalf of the United States, or you get right back into a competitive race, a competitive economic-armament race. I do not know how to define such an exception here because there is no way of defining it in terms of general principles. It is just a matter of judgment that has to be arrived at in particular cases.

QUESTION:

On some of these strategic things, we do not have technical--on some of those, we run into the problem of our Attorney General. If you try to bring tin into the United States and have a big refinery set up, down, say, some place in the South like New Orleans, and it would become a monopoly; about the time you got that rolling well and going good, it would be like the case of our railroad and Pullman Company. You would have to invest, and so forth. Now that has kept a lot of the things we needed for war out of the United States. I could name a whole list of them. We find nickel, most of it, in Canada, and ship the refined particle here, but I am convinced that if the policy were set up so that we could refine here, it would help our national defense. We would have been in a terrible fix, in the war, if we had not been able to bring the rock product from New Caledonia. So today the Attorney General will say, "Look, that is a monopoly"; and close up just like they go around and close up the Pullman Company. Something ought to be done, because if we do not run some sort of organization like that in the United States, we do not have the advantage of, say, for instance, one of those big companies of tremendous work in hand of raw material which may be made into a watch today but could be put into some use for weapons tomorrow. I would like your comment on that.

MR. STINEBOWER:

I am afraid that I am not well enough informed as to the facts to discuss all of your cases, but I will begin. The fact that a monopoly exists, as I understand it, is not indictable by the Attorney General, in the event that there appears to be only one plant in the United States, whether it is under public ownership or under private ownership. Therefore, the first question, first point which becomes relevant, is: Is it a consolidation of various units which could be broken up? And second: Does it have intercorporate understanding or agreements with companies outside of the United States, since by definition we are saying it is a sole unit in the United States, and what is the nature of those agreements and understandings?

In the proposition that we have advanced in the proposals on trade and employment, we have not suggested at all that the rest of the world adopt an international Sherman Anti-Trust Act. There are a good many people who would like to have seen that as our policy. The test of the intercorporate agreements, when they affect trade across international boundaries, is whether they intend to frustrate the objectives of general international agreement--or to put it quite simply--whether they are restraining trade to the disadvantage of the various countries of the world. There are two or three answers to the problem of supply of defense materials. One is that the United States might maintain its direct participation in these refineries, the first processing plants. I think we are not speaking about the further utilizers of tin; we are talking about the first processings. Another method is one on which the government agencies seemed to have settled, that is, the maintenance of a stockpile of strategic materials produced abroad. And I gather that there is complete agreement--at least I know this is the State Department's position--that such stockpiles should be reserve stockpiles. They should not be mixed purpose stockpiles; they should have nothing to do with commodity buffer stocks; they should have nothing to do with fluctuating prices; they should have nothing to do with breaking foreign monopolies. Stockpiles should be kept strictly strategic. Keep them as large as any one will estimate and can get Congressional funds for; and I say, out of ten years' experience with this question, that the Armed Forces have never been among the more extravagant people in predicting how large these stockpiles ought to be. I suggest we ought to take your best guess and double it.

CAPTAIN HENNING:

Gentlemen, if there are no further questions, we will conclude the talk.