

American Trade Policies

WHEN I was in the States a few years ago I used to indulge a dream of private prosperity in which, I ran a shuttle service carting frozen lamb one way and motor-cars the other. In this pretty little system everybody would benefit as far as I could see except the U.S. farmer. But this exception has proved all powerful in trade policy. For the U.S. is traditionally a protectionist community, or rather perhaps I should say that protectionism has been able to sustain enough political support to keep tariffs pretty high for many years past. But the voice of America has spoken uncertainly on this matter, particularly since the war. Back in 1945 . . . the U.S.A. seemed ready to drop her traditional role of isolation from the political and economic affairs of other nations. . . The U.S. policy which lay behind . . . various aid programmes was that the world was to be helped to help itself. Continuing dependence was not envisaged. Help to speed up economic convalescence after the ravages of war was the idea. And the U.S. view of recovery was that it would be best accomplished in a truly liberal framework of reviving trade.

This is much more important than it may sound. A country in economic difficulties may be forced to adopt policies which cut it off from trade with others. Short of foreign exchange, it must cut down its purchases from others. It may have suffered from inflation of its currency, in which case it has difficulty in selling abroad because of its high prices. And internal readjustments of currency values, together with a fairly open trade policy, can be very painful. . . Internationalism and liberal trade policies, therefore, although theoretically attractive and necessary adjuncts to the idea of a more truly international society, in practice proved to be thorny programmes to launch. The highly-protected economy hedged in with import controls, exchange quotas and tariffs has proved an easier world to administer politically, as well as economically. And it is a world in which countries which draw much of their living from foreign trade, such as Britain, Japan, and, of course, New Zealand, may find it harder and harder to find markets and pay their way.

The U.S., fully aware that the logic of internationalism demanded open trade policies which could well prove unattractive to many countries, tried to build into her aid programmes clauses which would insist upon liberalism. Most famous of these was the well-known convertibility clause which tagged the Line of Credit. . . By a certain date Britain was to make the pound sterling freely convertible into dollars. . . Eight years later convertibility of sterling still awaits the right moment, which, in spite of the heartening growth in the economic strength of the Commonwealth, has not yet come. Nevertheless, gains have been made. . .

But the U.S.A., part author of this state of growing freedom, attached to her not only by her new sense of internationalism but by her belief in the economic philosophy of free markets and free enterprise, is lagging behind in the

Extracts from a recent commentary on the international news broadcast by the main National Stations of the NZBS

development of policy. . . This inconsistency, which expresses itself in denying to U.S. commercial policy what is conceived to be good for others—that is, greater freedom to trade between nations—is likely to come to a head in the life of the new Congress. Two reasons exist for this. One is the mounting pile of surplus farm produce which so plagues the U.S. administration. The other is the fact that negotiation is currently proceeding in Geneva over the future form of the organisation set up seven years ago to give expression to the need for liberalising world trade on an equitable basis—G.A.T.T.—the General Agreement on Tariffs and Trade.

I must confess that there seems little prospect that Congress will take the liberal line, or support a revised and strengthened Trade Agreement. The President's proposals for more liberal trade made earlier this year came to nothing. . . I cannot do better than quote . . . the weekly *Economist*: "The United States is no longer swayed by the determination to secure freer trade throughout one world. It is rather seeking two worlds—one where it can sell its surpluses freely, and another where no other country can sell farm products freely to it."

I do not want to leave you under the impression that U.S. policy here is uniquely culpable. Most countries have their inconsistencies on these matters. In many cases the pressure of the ballot box upon elected representatives makes policy changes very difficult. Britain's protectionist policy towards her farm industry, for example, makes things difficult for New Zealand and Denmark. The resurgence of Germany and Japan, with their demands for re-entry into world trade and the cheap goods they can produce to sell, make liberalism to those countries somewhat embarrassing. But they must sell to live. In particular, a Japan which buys raw materials from the Commonwealth, including a good deal of Australian and New Zealand wool, must earn the exchange to buy with by selling somewhere—perhaps to us. It's interesting and significant in this connection to learn . . . that Australia is to relax its trade restrictions for Japanese imports.

New Zealand's own protectionism is irritating to British exporters, as I found by personal experience a few years ago. The true path to trade liberalism is one of willingness to concede here and there, and see the other fellow's point of view. It's all too easy to join in shouting about discrimination against one's products abroad without being prepared to put one's own house in order. But I am convinced that, in the present strength of the world's economy, which has largely shaken off the weaknesses of the war and its aftermath, a general freeing of trade barriers is good economics and part of the business of being good neighbours.

—A. J. DANKS,
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