The Outlook for the Trade-Agreements Program

Address by
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As the world relaxes from the tension of last September when the peace of one of its most important regions hung in perilous balance, many observers in this country not unnaturally raise the following question: Has the swift succession of events so altered the world situation that some of the basic policies we have so far pursued have become no longer applicable and need to be discarded or revised in the light of new developments?

This question frequently relates to the outlook for the future of our trade-agreements program and the general prospect of world developments in the field of international commerce. The problem thus presented is of crucial importance for the economic well-being of our country, for our broad national welfare, and for the promotion of peace, which is the primary objective of our foreign policy.

For upwards of 4 years, our country has been carrying out a vigorous and comprehensive program of policy and action in the sphere of international economic relations. The central aim of this program has been the restoration and expansion of healthy and mutually beneficial trade among nations.

We embarked upon this program at a time when our country and the whole world were in the grip of a profound economic dislocation. The situation which we faced at the low point of the depression required a combined program of domestic and international action. To combat unemployment, to create
conditions of security and well-being for our farmers, workmen, and businessmen, to enable the entire Nation to replace a vista of despair with a prospect of economic and social advancement, it was necessary to restore solvency and stability in our financial structure, to introduce essential reforms in our economic and social organization, to rehabilitate the processes of production and trade, and thus to rebuild the Nation’s income. Domestic measures, however necessary and far reaching, would not have alone sufficed to accomplish these vital purposes. They had to be supplemented by a determined effort to repair the shaken and all but shattered structure of international economic relations.

It was clear that the disruption of international commerce had been as much responsible as any other single factor for the advent and the intensity of the great depression. In the course of generations, national economies had become geared to a growing volume of interchange of commodities across national frontiers. Without expanding international trade, the steady rise of living standards—that outstanding characteristic of economic and social progress—would have been impossible. The sharp decline of international commerce, which accompanied the depression, was bound to produce a profound impairment of economic organization and activity within nations and to depress living standards everywhere. There could be no prospect of full and stable recovery, to be followed by sustained prosperity, unless mutually beneficial commerce among nations could be restored to its great role as an indispensable instrument for the promotion of economic welfare within nations.

The trade-agreements program was the principal means which we adopted for attaining this objective. The program was directed toward overcoming the two factors which had been primarily responsible for the collapse of world commerce. The first of these was the trend toward national economic self-sufficiency, toward so-called autarchy. The second was the growing tendency on the part of nations to enter into narrow trade pacts, based upon exclusive treatment for the parties to such arrangements and consequent discrimination against all other nations. Both of these trends produced effects disastrous not only to world trade, but also to the domestic economies of all nations.

The trend toward economic self-sufficiency involved efforts to develop, behind unscalable walls of exaggerated protectionism, the production of natural or synthetic substitutes to replace imports from other regions of the world—no matter at what sacrifices of quality or cost to the consumers. The discriminatory basis of trade served inevitably to divert the currents of commerce from the channels of natural advantage, and thus to cause an irresistible contraction of the total volume of world trade.

By placing upon our statute books the Trade Agreements Act of 1934 and by inaugurating reciprocal trade-agreements negotiations, we announced to the world our willingness to reverse the policy of raising ever higher barriers to trade, which had been pursued by this country for some years with disastrous results. But our offer to reduce, in favor of foreign countries, the excessive barriers to trade represented by some of our tariff rates was made contingent upon the willingness of other countries to reduce in our favor their tariffs and other trade barriers.

In announcing our trade-agreements program, we also proclaimed our determination to continue our firm adherence to the practice of equal treatment, embodied in the unconditional most-favored-nation principle. But here again we announced that we were willing to negotiate reciprocal trade agreements only with such
countries as were willing, in turn, to extend to us this type of treatment under the guarantee of that principle.

It was in this reciprocal and eminently equitable manner that we sought to make our attack upon the ruinous practices of exaggerated protectionism and discriminatory treatment and against the dangerous drift toward national economic isolation.

Our decision to make the rule of equal treatment—that is to say, the unconditional most-favored-nation principle in its broad application—the cornerstone of our program was dictated, first of all, by an immediate and practical consideration: in the absence of guarantees of nondiscriminatory treatment, our export trade cannot escape being constantly exposed to unpredictable dangers. But our decision was also dictated by the conviction, derived from the study of universal experience in the field of international commercial relations, that trade among nations can develop and prosper only as all nations can be assured fair dealing and equality of commercial treatment.

Apart from the purely economic aspects of the trade-agreements program, there is another and even more profound reason for the emphasis which we have been placing upon the need for restoring international commerce upon a sound and healthy basis. Many of our citizens must wonder why, being concerned with the conduct of our country’s foreign relations, it is necessary for me to devote so much of my time, thought, and effort to economic problems and to questions of foreign trade. It is because I know that without economic security and well-being there can be no social or political stability in national life, and that without economic, social, and political stability and security within nations there can be no peaceful and orderly relations among nations. It is because I know that without expansion of international trade, based upon fair dealing and equal treatment for all, there can be no stability and security either within or among nations. It is because I know that the withdrawal by a nation from orderly trade relations with the rest of the world inevitably leads to regimentation of all phases of national life, to the suppression of human rights, and all too frequently to preparations for war and a provocative attitude toward other nations.

Two opposing tendencies continue to influence the course of international economic relations. One is the effort which we and many other countries are making toward placing such relations upon a sound and constructive basis and thus enabling trade to make its fullest possible contribution to the economic well-being, stability, and peace of all countries. The other is the continuation of policies under which trade—and, therefore, economic welfare—are being sacrificed to such other objectives as vast armaments and the supremacy of force.

In the presence of a persistent operation of this second tendency, it is not difficult to fall prey to despair. It is not difficult to come to the plausible but erroneous belief that, as a result of this tendency, the course of world development must be toward maximum self-sufficiency for each and every country; that trade among nations is doomed to extinction or at best to a precarious existence subject to the arbitrary whim of control authorities; that the principles upon which we have founded our commercial policy have been rendered antiquated and ill-adapted by the apparent implications of the developments which are occurring elsewhere in the world; and that, therefore, no other course of action is open to us than to fall back upon a system of ever-increasing economic isolation.

As I see the world picture, there is no justification in fact for such counsel of despair. The world is at a crossroads. But its power of choice is not lost.
One of the roads that wind into the future is that of increased reliance upon armed force as an instrument of national policy. So long as the construction of armaments for such a purpose continues to be the center of national effort in some countries, a policy of arming inescapably becomes a universal evil. Other nations find themselves compelled to divert to preparation for self-defense an increasing part of their substance and effort. All this requires—in varying degrees, but in all countries alike—ever greater sacrifice of what mankind universally has regarded as the central objective of civilization and progress—namely, a rising level of national welfare and of the well-being of the individual. All this imposes—again in varying degrees, but in all countries alike—a growth of autarchy, an ever more complete regimentation of national life, an impairment of personal liberty, a lowering of every standard of material, cultural, and spiritual existence. If the nations continue along this road, increasingly strewn with the wreckage of civilized man’s most precious possessions, they will be marching toward the final catastrophe of a new world war, the horror and destructiveness of which pass human imagination.

The other of the two roads is that of ever-increasing reliance upon peaceful processes and upon the rule of law and order in the conduct of relations among individuals and among nations. As such reliance becomes more effective, the vast productive forces with which nature, science, and technical skill have endowed mankind, can become released, in greater and greater measure, for the advancement of the human race. As trust in the pledged word and order under law replace the doctrine of armed force and the practice of lawlessness, the human mind can turn once more to the arts of peace, and the human soul can soar once more to ever greater achievements of the spirit.

We in this country are fortunate beyond measure in that we are less immediately af-

fected than are most other nations by the tensions which prevail in other parts of the world. Yet even for us there will be no escape from a dismal outlook if unhappily the rest of the world should choose the road that must lead to another major armed conflict.

Things being as they are, it is undoubtedly our duty to ourselves to render adequate the armed forces needed for our own security and defense. But it is equally our duty to ourselves not to relax by one whit our efforts to exert our maximum influence toward helping mankind to choose the road of peace and justice rather than the road of war.

In no field is effort toward accomplishing this crucial purpose more essential than in that of restoring economic strength, political stability, and social security within nations through a promotion of healthy economic relations among nations. The task is neither easy nor simple. Political antagonisms, national ambitions, the vast armament programs, and many other phases of narrow nationalism present powerful obstacles. But all these obstacles, enormous as they are, will be more readily overcome if there is constantly kept alive the concept of a future for mankind happier than that of an inexorable drift toward economic impoverishment and a military explosion, and if tireless efforts are made to bring about the realization of such a future.

It is my considered judgment that nothing that has occurred in recent years or in recent weeks has served to discredit in any way the principles on the basis of which we are seeking to bring about a restoration of sound economic conditions as a necessary foundation of durable peace. Nothing that has occurred has impaired my profound belief that these principles will sooner or later become firmly established as the foundation of international commercial relations. The world’s need for the translation of these principles, as well as of all other basic principles of peaceful relations among nations,
into practical realities is more urgent and more pressing today than it has ever been.

Nor is the present outlook in this respect devoid of hope. In spite of plausible indications and pseudo-logical inferences to the contrary, the drift toward complete national self-sufficiency is far from making ready headway in the world as a whole. While excessive barriers to trade continue to weigh heavily upon international commerce, the major part of world trade is still carried on by countries which are not attempting to be self-contained regardless of cost.

Only a few countries proclaim the attainment of autarchy as their avowed purpose. But these very countries are, at the same time, making desperate efforts to enlarge the volume of their foreign commerce—not only within the limited areas actually or potentially under their immediate influence, but with other parts of the world as well. The striking paradox of the present situation is that in their attempts to find foreign markets and sources of materials indispensable to their national existence, such countries employ methods of forced and artificial stimulation, which inescapably prevent trade from making its full contribution even to their own well-being and economic stability.

As experience accumulates, it becomes increasingly clear that trade methods of this type steadily exhaust the countries which practice them and arouse ever more intense resistance and retaliation on the part of other countries. Whether employed in conjunction with openly proclaimed programs of national or group autarchy or in the absence of avowed desire for self-containment, such methods of trade inevitably defeat themselves. They are, in a full sense, the instruments of destructive economic warfare, adopted by nations in the mistaken belief that they are capable of enhancing national security and strength.

Autarchy and other forms of economic armament create but an illusion of strength and se-

urity. They uproot far more than they build. They discourage rather than generate enterprise. By placing impassable barriers to the world flow of material and financial resources, by tending to split up the world into abnormally limited areas of trade relations, they undermine confidence and stability. They make all nations progressively weaker.

The very difficulties which constantly multiply in the application of such policies and methods create powerful pressures in the direction of their abandonment. No nation can prosper or maintain other than a visibly falling standard of living for its population when the world is broken up into air-tight economic compartments.

The program which we advocate offers the only practicable alternative to a drift toward the anarchy of economic warfare, with all its disastrous consequences for the peace and progress of man. Its workability has been demonstrated beyond a shadow of doubt. It can be embraced by all nations alike, without exception, and to the benefit of each and all.

Not by compromising with any of our basic principles, not by joining a retreat to self-imposed poverty of economic isolation, not by attempting to employ the destructive practices of forced trade, can we make our contribution toward rendering brighter and more hopeful the outlook for ourselves and for the world.

Our own best interests and the concern which all of us must feel for the future of the human race imperatively require that, far from abandoning our trade-agreements program, we put redoubled vigor into our efforts to enlarge its scope and its effectiveness. We should not relax, we should intensify our endeavors to influence all nations, by example and by every appropriate means of persuasion open to us, to return to the tested basis of healthy and sound trade, of monetary stability, of financial order and probity—in brief, to that type of international economic relationships which have been
incontrovertibly shown by experience to be the only possible foundation of peace, progress, and well-being among mankind.

No nation and no individual can escape a share of responsibility for the fashioning of mankind's choice as to the road which the world will follow. There is nothing more desperately needed today in all countries than clear thinking and a profound sense of national and individual concern for the course of future developments.