

Vance: Expansion Is Key To World Peace

The following are excerpts of the speech by Secretary Vance to the National Governors' Association Feb. 27.

...At this moment... we face unusually difficult strains on our economy. There is a strong impulse to abandon our commitment to an open world trading system—to draw our wagons into a circle.

Let there be no mistake about the sensitivity of this Administration to the reality of those strains and the necessity to deal, constructively and effectively, with the causes and the consequences of current economic difficulties. Unemployment is more than a statistic to a family without a job. Inflation is a corrosive that eats away at the hope of every American for a better future. The damage to a community when a factory shuts its gates can be devastating...

...We must avoid short-term responses to current pressures that mortgage our future interests. We must resist the temptation to insulate ourselves from international economic competition, for we are a nation that thrives on world trade. We cannot lose sight of one simple proposition: to buy from us, other nations must be able to sell to us...

...If we should turn down the road toward protectionism, our major trading partners would face irresistible demands to impose their own barriers. And the developing countries, caught in the squeeze between high energy prices and narrowing export prospects, would be forced to restrict their imports as well.

The American people have a vital interest in a progressively more open trading system....

—One out of every eight manufacturing jobs in the United States depends on exports. For every one of those jobs, another one—in a supporting industry—is created.

—Every third acre of U.S. farmland produces for export. Each dollar of those agricultural exports stimulates more than a dollar's worth of output in a food-related industry.

—Today, one out of every three dollars of U.S. corporate profits is derived from international activities.

—Exports of our goods and services now contribute nearly \$200 billion to our gross national product.

—Two-thirds of our imports are essential raw materials, or goods we cannot readily produce. From automobiles to newspapers, from jet aircraft to household appliances: many of our industries depend upon imported materials....

...Protectionism against our trading partners breeds protectionism by our trading partners against us. Nearly 10 million American jobs depend on our exports. No Administration committed to protecting the jobs of every American worker should embark upon a course that could unleash a new and dangerous era of trade warfare....

The (Multilateral Trade Negotiations) in Geneva will

establish the framework of world trade for years to come. This will involve tough negotiating in the months ahead. Some argue that we should pull back and wait out this period of economic uncertainty. We believe just the opposite: that successful completion of this major effort to expand trade and strengthen its international rules will increase business confidence and spur our recovery. Ambassador Bob Strauss is determined to bring back a package of agreements that will bolster our economy and those of our trading partners. We look to you for guidance and support as this process unfolds....

...We must stimulate lagging U.S. exports. On Dec. 21, the President announced steps that will enable us to respond more creatively and energetically to export opportunities. He has asked Congress for an unprecedented \$15 billion expansion of direct lending authority for the Export-Import Bank over the next five years. And he has directed the Department of Commerce to vigorously assist U.S. exports, in ways that are consistent with an open trading system....

We cannot prevent change. Our economy is dynamic and it must remain so. But we can and must help affected industries and workers to adjust to change—through modernization, retraining, and facilitating shifts of resources to more productive sectors.

Trade policy alone cannot carry the entire burden of solving this nation's economic problems. We must also have an effective energy policy and we must have it soon.... to promote the development of other energy sources. Both for our energy and trade needs, passage of domestic energy legislation is imperative....

An outward looking trade policy is not a luxury for the United States. It is pure economic necessity. Even more than our trade is at stake. For if we let ourselves slide into the unpredictable business of protectionism.... We would be fostering a kind of nationalism which could shake our alliances and undermine our efforts to build international cooperation across the entire range of pressing global issues.

Protectionism is a dangerous gamble in which everybody loses. That is the indelible lesson of history. A wave of trade restrictions in the early 1930's deepened a world-wide depression. The desperate economic situation that existed then in Europe certainly contributed to the popularity of authoritarian movements. ministrative and legal intervenor activity that is between economic growth and political stability around the world.

Today, as much as in any period of our history, American leadership is called for. Others are looking to us.... Unless we adjust to a changing international economy—an international economy in which we have a major stake—America's interests will seriously suffer.... Together, we can work to build an international economic system that expands opportunity and fosters peace.