

The Requirements of Reconstruction

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You who live and work in this rich agricultural region, whose daily lives are concerned with the growth and marketing of cotton and corn and other agricultural products, must derive a certain satisfaction from the fact that the greatest affairs of state never get very far from the soil.

When Secretary of State Marshall returned from the recent meeting of the Council of Foreign Ministers in Moscow he did not talk to us about ideologies or armies. He talked about food and fuel and their relation to industrial production, and the relation of industrial production to the organization of Europe, and the relation of the organization of Europe to the peace of the world.

The devastation of war has brought us back to elementals, to the point where we see clearly how short is the distance from food and fuel either to peace or to anarchy.

Here are some of the basic facts of life with which we are primarily concerned today in the conduct of foreign relations:

The first is that most of the countries of Europe and Asia are today in a state of physical destruction or economic dislocation, or both. Planned, scientific destruction of the enemy's resources carried out by both sides during the war has left factories destroyed, fields impoverished and without fertilizer or machinery to get them back in shape, transportation systems wrecked, populations scattered and on the borderline of starvation, and long-established business and trading connections disrupted.

Another grim fact of international life is that two of the greatest workshops of Europe and Asia—Germany and Japan—upon whose production Europe and Asia were to an important degree dependent before the war, have hardly been able even to begin the process of reconstruction because of the lack of a peace settlement. As we have seen, recent efforts at Moscow to make progress towards a settlement for Germany and Austria have ended with little accomplishment. Meanwhile, political instability in some degree retards revival in nearly every country of Europe and Asia.

A third factor is that unforeseen disasters—what the lawyers call "acts of God"—have occurred to the crops of Europe. For two successive years unusually severe droughts have cut down food production. And during the past winter storms and floods and excessive cold unprecedented in recent years have swept northern Europe and England with enormous damage to agricultural and fuel production. These disasters have slowed down the already slow pace of reconstruction, have impeded recovery of exports, and have obliged many countries to draw down irreplaceable reserves of gold and foreign exchange, which had been earmarked for the importation of reconstruction materials, for the purchase of food and fuel for subsistence.

The accumulation of these grim developments has produced a disparity between production in the United States and production in the rest of the world that is staggering in its proportions. The United States has been spared physical destruction during the war. Moreover, we have been favored with unusually bountiful agricultural crops in recent years. Production in this country is today running at the annual rate of 210 billion dollars.

Responding to this highly abnormal relationship between production in the United States and production in the rest of the world, the United States Government has already authorized and is carrying out an extensive program of relief and reconstruction. We have contributed nearly 3 billion dollars to foreign relief. We have taken the lead in the organization of the International Bank for Reconstruction and Development and the International Monetary Fund, and have subscribed to these two institutions to the extent of almost 6 billion dollars. We have increased the capacity of the Export-Import Bank to make loans abroad by almost 3 billion dollars. We have made a direct loan of 3¾ billion dollars to Great Britain. We

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are proposing this year to contribute a half billion dollars for relief and reconstruction in the Philippines, and a billion dollars to relief in occupied areas. The President's recommendations for aid to Greece and Turkey to the extent of 400 million dollars and for post-UNRRA relief to the extent of 350 million dollars are still under consideration by Congress. And there are a few other smaller items.

These measures of relief and reconstruction have been only in part suggested by humanitarianism. Your Congress has authorized and your Government is carrying out a policy of relief and reconstruction today chiefly as a matter of national self-interest. For it is generally agreed that until the various countries of the world get on their feet and become self-supporting there can be no political or economic stability in the world and no lasting peace or prosperity for any of us. Without outside aid, the process of recovery in many countries would take so long as to give rise to hopelessness and despair. In these conditions freedom and democracy and the independence of nations could not long survive, for hopeless and hungry people often resort to desperate measures. The war will not be over until the people of the world can again feed and clothe themselves and face the future with some degree of confidence.

The contribution of the United States towards world livelihood and reconstruction is best measured today not in terms of money but in terms of the commodities which we ship abroad. It is commodities—food, clothing, coal, steel, machinery—that the world needs, and it is commodities that we must concentrate our attention upon.

Our exports of goods and services to the rest of the world during the current year, 1947, are estimated to total 16 billion dollars, an all-time peacetime high. Before the war our exports of goods and services fluctuated around 4 billion dollars annually.

It is difficult to imagine 16 billion dollars' worth of commodities. This represents one month's work for each man and woman in the United States, one month's output from every farm, factory, and mine.

Let me give you another indication of the extent of our exports. The volume of commodities now moving out of east coast and Gulf ports of the United States is twice as great as the peak volume which moved out of those ports during the war when we were transporting and supplying not only

our own huge armies abroad but a tremendous volume of lend-lease supplies.

Our exports this year are perhaps the maximum, in quantity, that is likely to be exported abroad in the next few years. At the same time these exports are probably the minimum that we should make available to the world.

It is extremely difficult under present circumstances to increase the volume of our exports further. For in this country, too, there is a great demand for commodities, and foreign customers must compete with American customers. The character and composition of our exports will probably change, with lesser quantities of food, fuel, and raw materials being exported and increased amounts of steel, machinery, and other manufactured products going abroad. But the total volume of exports is not likely to increase substantially until the world gets soundly on its feet and a genuine world prosperity may carry a healthy multilateral trade to higher levels.

In return for the commodities and services which we expect to furnish the world this year, we estimate that we will receive commodities and services from abroad to the value of about 8 billion dollars. This is just about half as much as we are exporting. This volume of imports is equal to about two weeks' work of all the factories, farms, mines, and laborers of the United States, and consists largely of things which are not produced in this country in sufficient quantity. We wish that the imports were larger, but the war-devastated world is just not able to supply more.

The difference between the value of the goods and services which foreign countries must buy from the United States this year and the value of the goods and services they are able to supply to us this year will therefore amount to the huge sum of about 8 billion dollars.

How are foreigners going to get the U.S. dollars necessary to cover this huge difference? And how are they going to get the U.S. dollars to cover a likely difference of nearly the same amount next year? These are some of the most important questions in international relations today.

Of this year's difference between imports and exports, more than 5 billion dollars is being financed by loans and grants-in-aid from the United States Government, through such instruments as direct relief, the Export-Import Bank, the International Bank, the International Fund, and the loan to Great Britain. Funds for this purpose

have already been authorized by Congress. The remainder of this year's deficit will be covered by private investments, remittances of American citizens abroad, and by drawing down the extremely limited foreign reserves of gold and foreign exchange.

But what of next year, and the year after that? Continued political instability and "acts of God" are retarding recovery to a greater degree than had been anticipated. The extreme need of foreign countries for American products is likely, therefore, to continue undiminished in 1948, while the capacity of foreign countries to pay in commodities will probably be only slightly increased. Under existing authorizations, considerable sums will be available to offset next year's deficit. But these funds will taper off rapidly during the latter part of 1948. The need, however, will decline very little if at all.

This is not a bright picture. But we must face up to the facts on the rate of world recovery. It has been widely overlooked that after the first World War it was only in 1925 that the world arrived at the 1914 level of economic activity. And World War II was many times more destructive than World War I. In the late war nations planned on a vast scale and executed with new and tremendously improved weapons the destruction of the enemy's economic resources, with enormous success. Recovery will therefore be correspondingly slow.

One more thing to be considered is that as great as is our supply of commodities and services to the world during the current year, it is still far short of what the people of the world need if they are to eat enough to maintain their physical strength and at the same time carry on essential measures of reconstruction and become self-supporting. This will be true until the other workshops and granaries of the world are back in full production.

What do these facts of international life mean for the United States and for United States foreign policy?

They mean first that we in the United States must take as large a volume of imports as possible from abroad in order that the financial gap between what the world needs and what it can pay for can be narrowed. There is no charity involved in this. It is simply common sense and good business. We are today obliged from considerations

of self-interest and humanitarianism to finance a huge deficit in the world's budget. The only sound way to end this deficit financing is by accepting increased quantities of goods from abroad. There can never be any stability or security in the world for any of us until foreign countries are able to pay in commodities and services for what they need to import and to finance their equipment needs from more normal sources of investment.

Today in Geneva our negotiators are meeting with representatives of 17 other countries in an effort to negotiate a mutual reduction in trade barriers and an agreement upon fair rules to govern international trade. This is one of the ways in which we are attempting to face up to the realities of international life. The Geneva conference must succeed. The International Trade Organization must be established.

The Geneva conference must succeed not only because of the emergency supply and financial situation that exists today, but also because our position as the world's greatest producer and creditor nation demands that for a long period to come we accept an ever larger volume of imports. When the process of reconversion at home is completed, we are going to find ourselves far more dependent upon exports than before the war to maintain levels of business activity to which our economy has become accustomed.

The facts of international life also mean that the United States is going to have to undertake further emergency financing of foreign purchases if foreign countries are to continue to buy in 1948 and 1949 the commodities which they need to sustain life and at the same time rebuild their economies. Requests for further United States aid may reach us through the International Bank, or through the Export-Import Bank, or they may be of a type which existing national and international institutions are not equipped to handle and therefore may be made directly through diplomatic channels. But we know now that further financing, beyond existing authorizations, is going to be needed. No other country is able to bridge the gap in commodities or dollars.

This leads directly to a third imperative for our foreign policy. Since world demand exceeds our ability to supply, we are going to have to concentrate our emergency assistance in areas where it will be most effective in building world political and economic stability, in promoting human freedom and democratic institutions, in fostering lib-

eral trading policies, and in strengthening the authority of the United Nations.

This is merely common sense and sound practice. It is in keeping with the policy announced by President Truman in his special message to Congress on March 12 on aid to Greece and Turkey. Free peoples who are seeking to preserve their independence and democratic institutions and human freedoms against totalitarian pressures, either internal or external, will receive top priority for American reconstruction aid. This is no more than frank recognition, as President Truman said, "that totalitarian regimes imposed on free peoples, by direct or indirect aggression, undermine the foundations of international peace and hence the security of the United States."

The fourth thing we must do in the present situation is to push ahead with the reconstruction of those two great workshops of Europe and Asia—Germany and Japan—upon which the ultimate recovery of the two continents so largely depends. This is what Secretary Marshall meant when he reported to the nation on April 28 that action on behalf of European recovery cannot await "compromise through exhaustion", and that we must take whatever action is possible immediately, even without full Four Power agreement, to effect a larger measure of European, including German, recovery. European recovery cannot be complete until the various parts of Europe's economy are working together in a harmonious whole. And the achievement of a coordinated European economy remains a fundamental objective of our foreign policy.

Finally, in order to carry out an economical and effective policy of relief and reconstruction along the foregoing lines, your Government is going to need the extension by Congress of certain executive powers over the domestic sale, transportation, and exportation of a limited list of commodities. Such controls have been in effect during the war and are still in effect under the President's war powers, but are due to expire June 30th of this year. It is vitally important that these controls be renewed. It is commodities that are needed in critical areas abroad, not just money. It is wheat and coal and steel that are urgently required to stave off economic collapse, not just dollar credits.

Your Government must therefore be able to insure equitable distribution of supplies as between the domestic economy and the export demand. This requires the extension of allocation powers

with respect to a limited list of commodities certified by the Secretary of State and the Secretary of Commerce as critical to the foreign economic policy of the United States. Powers to assign priorities directly to producing firms will be necessary for a still more restricted list of items. At the same time, a continuation of export controls is required in order to direct exports where we want them to go and to cut down unnecessary and undesirable foreign buying in the domestic market.

Power to assign priorities on transportation is also needed. This power is needed in order to insure the efficient use of transportation facilities, particularly freight cars. Without such authority it will be difficult to move bulky export commodities such as coal and grain in the required quantities.

Finally, certain legislation which would enable the Maritime Commission to insure maximum availability and efficient use of shipping is required in order to insure the success of our export programs with respect to bulky items such as coal and grain.

Legislative proposals of this nature have been presented to Congress, or will be presented in the near future. It is of the greatest importance to the foreign economic policy of this country, and thus to the security and well-being of the nation, that these powers be granted.

There is a story going the rounds about a man who, after listening to an extended lecture on the grave financial and economic difficulties of northern Europe and Great Britain, remarked, "And, just think, all the trouble was caused by a blizzard".

I think we will all agree that something more than a blizzard has caused Europe's current difficulties. But last winter's blizzard did show up the extremely narrow margins of human and national subsistence which prevail in the world today, margins so narrow that a blizzard can threaten populations with starvation and nations with bankruptcy and loss of independence.

Not only do human beings and nations exist in narrow economic margins, but also human dignity, human freedom, and democratic institutions.

It is one of the principal aims of our foreign policy today to use our economic and financial resources to widen these margins. It is necessary if we are to preserve our own freedoms and our own democratic institutions. It is necessary for our national security. And it is our duty and our privilege as human beings.