I am glad to be in Houston today and to have this opportunity to talk to you about some economic aspects of our foreign policy and their importance to the business men of the United States.

The chief aim of United States foreign policy is to create the conditions necessary to maintain peace throughout the world. The encouragement of mutually beneficial trade, as a means to this end, is a cornerstone of United States foreign policy as it has been from the earliest days of the Republic.

Experience throughout our history has made it ever more clear that peace and trade are two sides of the same coin.

Today, more than ever before, the maintenance of a sound peace requires a solution of the economic problems confronting the world. For we know that in practically all cases economic problems are the real basis of political and social unrest. Today, moreover, economic problems confronting some other countries are their shadow afar and cannot be ignored elsewhere. The United States cannot be economically isolated from any corner of the world any more than it can be blind to undesirable political and social developments.

While many economic problems throughout the world are the aftermath of war, others in many under-developed areas are rooted in ignorance of industrial technology, in lack of opportunity to utilize a country's natural resources, or in poverty.

The end of World War II found the world economy seriously out of balance. Our own country was virtually the only major nation in the world which came out of the war with its industrial machine still in top running order. In many others production facilities were seriously crippled.

This meant that many nations in Europe and Asia were unable alone to make a satisfactory beginning toward reconstruction. In many
causes the people of such countries were unable to supply the most basic necessities of life for their populations. And they lacked the goods which they could trade for the materials they required for their reconstruction.

As a result, the immediate prospect facing people in many of the most advanced areas of the world was complete economic and financial chaos leading directly to political and social unrest—exactly the atmosphere in which Communism best thrives.

In the face of this situation, the United States had to choose its course of action in order to protect its own security and economy. The series of economic programs which grew out of the inevitable decision made by the people of the United States is predicated on the simple idea that peace and progress may be pursued through the same means. These programs are predicated, likewise, on the conviction that cooperative action by the nations concerned is mandatory if we are to achieve a lasting peace.

The United States has not been alone in its dedication to this ideal. The great United Nations conference in 1945, even before the end of the war, was evidence of a universal awareness that humanity could best be served through a course of common action. To that end we have helped in forming and supporting the United Nations and the related international organizations.

The second broad program embarked upon was for the purpose of meeting the crisis of under-production at the close of the war. To help put Europe on its feet, the European Recovery Program, known as the Marshall Plan, was developed. You know the history of this effort to re-establish the tremendous productive output of Western Europe.

The progress which has been made up to date is encouraging. But the Marshall Plan alone cannot overcome some of the most pressing economic and financial problems before the world.

Moreover, the emphasis of the Economic Cooperation Administration, through which the Marshall Plan is administered, has been on providing help toward rehabilitating the economies affected by war. As I stated in the beginning, however, the economic problems in many parts of the world are even more deeply rooted. In half the world the problem is not to rebuild an economy but to build it, practically from the
ground-up, to develop resources which have never before been tapped, and in so doing to bring a higher standard of living, with all the improved advantages that this implies, to hundreds of millions of people who today are living in what the President has described as grinding poverty. Along these countries economically, the President has stated, constitutes one of the greatest challenges of the world today.

In other words, we have wanted to substitute stability for crisis. While providing necessary emergency aid, we have at the same time realized the necessity for developing a long-range program. Meeting crises after crises, at whatever cost in money, materials and manpower, is only a stop-gap measure, and is in the end futile if it does not succeed in creating conditions and climate for continuing progress. I think we can draw much encouragement from the achievements in Western Europe.

Economic recovery is well on the way. Only last week, as a signal evidence of this fact, the countries of Western Europe agreed to free half of their mutual trade from quantitative controls by December 15. They agreed to widen the area of transferability of currencies next year, and they took steps to eliminate other barriers to trade among themselves. Thus, for the first time and as a direct effect of the Marshall Plan in giving new life to European commerce, the recipient countries formally recognized the need for creating a single large market in Europe.

Economic recovery in Europe has been accompanied by an improvement in the people's morale and in the strengthening of democratic forces as can be clearly seen from recent elections and public events. Much remains to be achieved. Our first goal was to rebuild the economy of Europe to its pre-war level. But this is not enough in the post-war world.

A sound international trade program for these countries is one of the essentials of their economic progress. I believe that as businessmen you will agree that a sound international trade program depends on good markets, fair rules of trade and procedures for settling trade disputes.

Our concern for the development of a program for expansion of world trade is by no means new. As early as 1776 the Continental
Congress adopted an open-door trade policy, which today we might call multilateralism. Our first President stated the continuing policy of the Nation in his Farewell Address when he said, "Our commercial policy should hold an equal and impartial hand, neither seeking nor granting exclusive favors or preferences."

We have implemented this policy many times over, but most effectively thus far through the Reciprocal Trade Agreements Program carried on since 1934.

The essence of this program is that in turn for tariff reductions lowered by us for certain products from another country, that country in turn will grant equivalent concessions to products from the United States. This program has been expanded by the General Agreements on Tariffs and Trade, reached at Geneva in 1947 and signed by 23 major trading nations. Recently at Accra, Ghana, still further progress in this direction was made when 10 other countries signed the General Agreement on multilaterally advantageous reduction of tariffs and other trade barriers.

The basic idea behind our trade agreements with other countries is that expanding world commerce automatically expands production, increases employment, and thus makes a real contribution to higher living standards.

Further duty reductions are needed, for the concessions which have been made under agreements now in effect between the United States and other nations cover little more than half the world's trade. Business men in this country and the rest of the free world have a vital concern in further action to stimulate the interchange of goods.

Two important steps remain to be taken if we are to perform our rightful role in creating an efficient world trading system, one which will give the private trader everywhere the maximum opportunity to conduct his business anywhere. The first of these two steps is ratification of the Charter of the International Trade Organization, and the other is the implementation of the so-called Point Four Program first announced by the President in his Inaugural Address. It is expected that both subjects will be among the first items of business when the Congress again meets in January.

The International Trade Charter was drawn up by representatives of 53 nations at the United Nations Conference on Trade and Employment.
at Boston in the winter of 1947-48. The Charter goes far beyond the range of our multilateral trade agreements and the Treaties of Friendship, Commerce and Navigation we have negotiated on a bilateral basis throughout our history. It covers many aspects of international commercial relations, including cartels, tariffs, quotas, subsidies, foreign exchange and commodity agreements, and seeks to put world trade on a basis which will be fair to all. It seeks to eliminate the causes of international friction which in the past have contributed to economic conflict, and even war.

Not only is the Charter the most comprehensive trade document ever drafted, laying down a code of trade rules and principles, but it represents a harmonization of the ideas of countries representing every stage of economic development. To me this is one of its most important aspects. None of the signatures are countries that are economically backward, while others, such as the United States, are industrially advanced.

It may be argued that the countries in the least advantageous situation have the most to gain by participation in such an organization. But I believe a more impressive argument can be made for participation by the stronger and more economically stable countries as well. Certainly the value of an international trade organization which sets forth rules of fair trade which private business can everywhere can follow is readily seen.

There is still another paramount need for the TTO in that it would serve as a sort of court for the settlement of economic disputes between nations, which means in the last analysis economic disputes between the traders in these nations.

It would be the international instrumentality through which decisions would be made to meet an unexpected crisis. It would prevent one country from imposing arbitrary restrictions affecting its trade with other parts of the world. It would have the responsibility for decisions affecting the disposition of merchandise on the one hand, or of providing for equitable distribution of scarce commodities for which all the world may be seeking.

Let us consider for a moment the possibilities we might face without an International Trade Organization. Under such circumstances...
any country not otherwise bound by trade agreements would be free to use
... if it desired, or otherwise to control the course of the trade with
another nation for either economic or political purposes.

In such a world the private business man would be more hampered
than he is today by the technicalities of international trade.

Without the International Trade Organization, there is no firm
basis on which either individual business concern or individual nation
may conduct their trade on the grounds of free enterprise and equal
competition. I believe it is worthy of support by progressive minded
business men, not only because it contemplates an expansion of world trade
not because it sets out democratic principles by which that trade is to
be conducted.

The International Trade Organization would not be a panacea
for all the world's economic ills, however, nor could it produce economic
stability overnight. But it is the foundation on which we can build an
enduring system of world trade that will create new markets, provide for
an increasing volume of trade, and thus help people everywhere improve
their standard of living.

While the Charter provides many necessary protections for
expanded world trade we know that it can be only a part of the answer to
the questions of how we are to achieve a universal economic stability.

The question of foreign capital investment is a major world
economic problem. Under-developed areas in particular cannot hope to
attain a better way of life unless capital is available from the outside.
Many of them have the potential in terms of human resources and raw
materials to raise their living standards but without the impetus that
outside capital would give they cannot make the most efficient use of these
resources. In most such cases the under-developed areas do not possess
the technical and scientific knowledge they must have to gain higher
living standards.

In his Inaugural Address last January the President announced
that the United States would embark on a program to extend technical
assistance to and to foster capital investment in the under-developed
areas, and that this "new program" which has come to be known as
"Point Four" would constitute a major element in United States foreign
policy.
The President later submitted specific proposals for the development of the Point Four Program to the Congress and hearings were conducted prior to adjournment. It is hoped, therefore, that action authorizing first steps in this program will not need to be long delayed after the Congress meets again in January.

Point Four has two primary objectives. It is designed to provide technical aid to the under-developed areas to help them realize their economic potential, and to encourage the flow of capital investment to those areas.

As the President has stated many times, if the productivity and purchasing power of the people of the under-developed countries is increased, our own industry and agriculture will benefit. As he said last week, if we can pull up the living standard of the world by as much as two per cent — certainly a minimum goal — we would never keep up with the demand for the products of our factories and farms.

The promise before us is not merely one of participating in the success of the program. American industry will provide many of the apparatus of Point Four. United States businessmen and scientists of all kinds — engineers, scientists, doctors, agricultural and economic experts — will be needed to advise and assist other people as they learn how to do things better and how to build things better.

While the United States has in the past been carrying on Point Four types of projects under such programs as those of the Institute of Inter-American Affairs, the concept has never before been a major part of our foreign policy. Thus far it is not and belies most Point Four is that it represents a new approach to an old problem. It means greatly increased activities already, and greatly increased coordination among the kinds of activities undertaken. To a much greater extent than in the past this type of activity will utilize the facilities and experience of private business and non-profit organizations.

The United States will work cooperatively with the nations which are expected to benefit from the Point Four Program, and likewise through the United Nations will seek the cooperation of other advanced nations in bringing their technical resources, both governmental and private, to help attack the economic problems of the under-developed areas.
The need for such a concerted attack is obvious when we consider the serious threat to an enduring peace that results from the existence, side by side, of nations of widely differing levels of economic development. The effectiveness of recovery in Europe could be largely negated if Asia or Africa or other areas of the world are allowed to remain weighed down by poverty. Let us cite just a few of the extremes that exist in the world today: The average annual income in the United States is more than $1,000. But in sharp contrast to this, the income of people in 38 countries comprising two-thirds the population of the entire world averages less than $100 per year.

Moreover, the life expectancy of children born in advanced nations like the United States is 65 years, while that of half the children born in the world is only 27 years. Illiteracy is fast disappearing in our own country and many others, but in the low income countries to which I have alluded, three-fourths of the population 10 years of age and over are illiterate. In some countries, indeed, only one person out of 10 is able to read and write.

Is it any wonder that people who must live under such conditions are subject to economic exploitation, to fear and to envy, and is it any wonder they are open prey to political fascism. The world cannot be safe, and the people of the world cannot be assured of freedom while such conditions continue to exist. For people who live in object conditions of misery, without the means for sufficient food, clothing, housing, health and education services, not only are unable to realize their potentialities as human beings, but they represent an unstable world influence which is a barrier to world peace.

The Point Four Program, therefore, provides Americans a stirring challenge, not only because it will provide tangible rewards in terms of trade, but because it can help so many now unhappy millions realize their aspirations for a fuller life in the community of free and peace-loving nations. Moreover, as the President of the United Nations Assembly said only a few days ago, the Point Four Program will constitute a test of the ability of the United Nations to work together in good faith.

Particular emphasis will be given to coordinating and balancing developmental efforts in the three broad fields of natural resources, human
resources and capital resources. But whether a project to be undertaken in any particular country is one of soil conservation and utilization, or whether it is a sanitation and nutrition program, or whether it is one of building roads and organizing business and finance, it must be based on sound concepts. It is essential, for instance, that each and every program to be undertaken be realistically related to the conditions in the country concerned. Different countries have different needs as well as different possibilities. Not only must the natural resources of a country be considered, but it will be necessary to take into account local customs, attitudes and the social, legal, and capital structures of the community. It is fundamentally necessary that a large degree of self-help go into the development of the program, and that there be sound co-ordination in planning. It would be folly, for instance, to provide instruction and facilities for greatly expanding the agricultural production of a particular country without taking into account the necessary facilities for marketing the resulting produce.

One of the questions often asked is whether Point Four ultimately will help the United States and the war of the Western world of its needs. World history refutes such an idea. Increased production and increased consumption lead the way to increased prosperity, just as the President has stated. Our own experience and that of other great trading nations has been that the most highly developed countries are our best customers.

As the President said in his Point Four message to Congress, "We are at the beginning of a rising curve of security, private, governmental, and international that will continue for many years to come."

In our sponsorship of the European Recovery Program we have endeavored to help the countries of Europe become self-supporting. When they have reached that stage, their dependence on United States markets will be reduced to a wholesome degree and they will become markets for each other. The action taken by the Marshall Plan nations last week was a constructive step in that direction. This does not mean that Western Europe will become self-sufficient, any more than we in the United States can be self-sufficient. The same idea applies to development under Point Four.

Glimpses, for one thing, make it impossible for any single country to produce everything it needs. In earlier days in our own country the frontierman was largely dependent on his own initiative in providing his necessities. But as life has become more complex we no longer are so.
even here to satisfy all our needs from domestic resources, but we seek
to make all the world for materials that go into making familiar products
better or in developing new ones.

The Point Four Program is closely related to the other phases of
our economic foreign policy which I have discussed. It has, in fact, the
same ultimate objectives as the European Recovery Program, the reciprocal
trade agreements program and the International Trade Organization. That
is, all of these programs, individually and together, are designed to
assist in stimulating production and employment and to increase the flow
of world resources so as to increase the well-being and the security of
people everywhere.

No one of these programs is a complete foundation for world
economic stability. But each is a necessary contribution to the entering
millennium we seek to build. Moreover, the effectiveness of each of these
economic programs will be enhanced by the success of the others. Together
they have the power, in the President's own words:

"to stir the peoples of the world into triumphant action, not
only against their human oppressors, but also against their ancient
enemies — hunger, misery, and despair."

I have every confidence that the American people believe in
the importance of this great part of our foreign policy, and that they
will give it their unqualified support.