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UNITED STATES DEPARTMENT OF
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Luther H. Hodges, Secretary   Washington 25, D. C.

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"NEW FRONTIERS IN TRADE"

Address by Secretary of Commerce Luther H. Hodges to World Trade Lucheon, Hotel Plaza, New York, May 24, 1961, at 12:30 P.M.

I am most grateful for your invitation to this World Trade Luncheon.

Being here today gives me a chance to do three things I have wanted very much to do.

First, congratulate the New York World Trade Committee and its cooperating organizations on this splendid program in behalf of international trade.

This week-long series of events, stressing the importance of overseas commerce and the interdependence of the countries of the Free World, is truly an outstanding civic venture. Over the years, it has contributed much, I think, to public understanding of the role of trade in economic growth and in strengthening the ties that bind together the free peoples of the world.

Yours is good work, important to New York and the whole country, and I delight in your success with it.

Second, I can say to all of you how impressed I am with the plans to build a World Trade Center in this great port of New York.

The proposal for a coordinated center, first advanced by the Downtown-Lower Manhattan Association and carried forward by the Port of New York Authority, is both inspiring and practical. This is no little plan, but one fully in keeping with New York's status as one of the great portals for world commerce.

Here, in one vast but orderly workplace, you would provide for the multiple activities of trade: marketing, administration and customs, banking, information, and the exchange of commodities and securities. Here would be a symbol of your reliance on trade and of your eagerness to have world traffic expand and increase in efficiency.

I believe this new center, which the Port Authority would develop, could do much to stimulate the flow of commerce through the New York-New Jersey district. What is more, by centralizing and improving trade information services, it might well encourage more American companies to enter the export field, which is wide open for greater development.

Today out of 300,000-odd U. S. manufacturing organizations, only about 12,000, or 4 percent, are actively exporting. Surely, this is a lower percentage than prevails in most of the developed nations which claim a position in world trade.

We need many more exporters than this, and we need all the help we can get in calling to the attention of our manufacturers and distributors the great opportunities they have before them.

The third reason I am glad to be here today is that it gives me a chance to discuss with an enlightened audience the trade policies of our national Administration and some of the foreign economic problems we face today.

In the years immediately after World War II, people all over the world were eager to buy almost anything we, in the United States, had to offer. The greatest obstacles to our exports were the trade and currency restrictions which other countries had to impose to conserve their gold and their meager dollar earnings and maintain their international balance of payments.

Today, less than a decade later, that situation has been wrenched about completely. Now it is we who are concerned about our balance of payments and the outward flow of gold.

From 1951 through 1957, the U. S. had an average balance of payments deficit of about $1 billion a year. Though this was substantial it did not reduce U. S. gold reserves. Nor did it impair the standing of the dollar as an international currency.

In 1958 and 1959, however, the U. S. payments deficit rose sharply—first to $3.5 billion, then to $3.8 billion. This net loss was brought on largely by a slide in our exports at the same time that our imports were rising. In 1960, the deficit was again $3.8 billion. This time a substantial rise in the trade balance was offset by a flow abroad of short-term funds in search of higher returns and other adverse capital movements.

The result of this three-year $11 billion deficit in payments was that, from 1958 through 1960, the U. S. sustained a loss of gold of more than $4.7 billion. And by last year, for the first time in decades, there were signs in many parts of the world of weakened confidence in the dollar.

I would like to point out that, except for bankers, economists, and those in government, who were struggling with this problem, few people in the United States knew what was going on. Nor was the seriousness of the situation called to their attention until just a few months ago.

Fortunately, we have had some improvement in this situation since the first of the year. The President, in his balance of payments message to Congress in February, ended once and for all any doubts about the future of the dollar by pledging flatly that the U. S. would use all available resources to maintain the integrity of its currency.

Meanwhile, with the help of certain monetary steps, our accounts with the world have taken a turn for the better. In the first three months of 1961, our net loss of gold and dollars dropped to a seasonally adjusted annual rate of about $1 billion, compared with a rate of $4 billion in the last quarter of 1960. Equally important, the outflow of gold has stopped, at least temporarily. In March, there was actually a small increase in our reserves.

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