

If they are wise governments and cognizant of the benefits of an efficient multilateral trading system, they strive to avoid national laws that are so extensive or protectionist as to disrupt the normal functioning of international economic relations.

No country is free of some degree of economic nationalism. Restriction on foreign investment manifests itself in different forms in various countries. Special protectionist measures against importation of certain types of goods and services vary according to the economic needs of the particular country, but they always exist.

If one takes the United States for instance, you find long-standing restrictions on foreign investment in such sectors as shipbuilding, dredging, fishing, air transport, communications, finance, nuclear power, mining and defence procurement industries. Other laws relating to anti-trust, securities etc., can be used to prevent acquisitions by foreigners when these are not in the U.S. interest. All of these restrictions exist in a country that has never had the threat of any appreciable percent of foreign ownership of its industry. I'm sure that U.S. legislators over the years have felt that they had good and sufficient reason for these laws, but they nevertheless restrict the free flow of international investment capital.

In relation to the other aspect of restriction of international business, that of protectionism against the importation of products of other countries, we again find that all countries find it necessary to maintain some measures to protect domestic production.

Here again I use the example of the U.S. not because it is a leading transgressor like Japan, but merely to show that even the strongest, most developed economies find such measures necessary.

You are probably aware of the Surface Transportation Assistance Act that gives a buy America preference on Federal-funded highway and urban mass transit projects including restrictions on cement and rolling stock imports. Other preferential buy America Acts exist in a number of States. There are new restrictions on the defense procurement of foreign-produced specialty metals that will hurt U.S. economic partners. In fact, new trade protectionist measures abound in congress: from reciprocity legislation to domestic content for automobiles. U.S. industry is active in initiating restrictions against foreign imports under U.S. trade law. These developments are a reflection of difficult economic circumstances, tough foreign competition and high unemployment.