The United States position in world trade is discussed, from left, by John Lichtblau, a New York oil-research specialist; Stanley Marcus, president of Neiman-Marcus, a Dallas department store, and Ben Robertson, Sr., 3300 Green Hill Lane, president of the Foreign Trade Club at the International Center here.

Speaker stresses quality
Trade Conferees Told Of U. S. Need for Imports

A foreign label won't sell anything to Mrs. American Consumer unless it is on the best-quality merchandise for the best price.

So said the head of one of the country's largest department stores here yesterday.

Foreign goods must be good as well as foreign to compete with domestic products because the American consumer is the best educated in the world, said Stanley Marcus, president of Neiman-Marcus, Dallas, Tex.

Production 'War' Cited
He and John H. Lichtblau, a specialist in oil research, spoke about the United States' need to import finished goods and raw materials at the ninth Kentucky World Trade Conference at the Sheraton Hotel.

Chicago Banking Dean Dies
Chicago, Nov. 10—Albert W. Harris, 91, dean of Chicago bankers, died Sunday night in St. Luke's Hospital.

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We are now at war in the field of peaceful production, and it may prove the most difficult war we have ever fought, Marcus said.

Because of the American buyer's discrimination, importers often require foreign manufacturers to use better-quality merchandise and workmanship in goods to be sold here than they use for their local markets, Marcus added.

(His father, the late Herbert Marcus, Sr., was a native of Louisville.)

Restrictions Held Damaging

Lichtblau, research director for the Petroleum Industry Research Foundation, Inc., New York City, said the President's recent restrictions on lead and zinc imports is likely to injure our over-all foreign-trade position.

Until about 20 years ago, we were producing all the copper, lead, and zinc we needed, but today we must import at least 30 to 40 per cent of our requirements, Lichtblau said.

The import restrictions on two of these metals will antagonize foreign suppliers and force them to seek other markets as well as discourage investment in foreign mineral production, he added.

Three New York executives, whose firms have extensive foreign dealings, discussed the role of the American economy in the stability of the free world during another panel session last night.

H. Harold Whitman, vice-president of First National City Bank of New York, said a healthy economy in the United States is essential to world progress and stability.

More U.S. Spending Asked

Fred M. Farwell, executive vice-president of International Telephone & Telegraph Corporation, called on the government to spend more money for research.

"Notwithstanding our American pre-eminence in product research and development," he said, foreign efforts in pure research are frequently superior.

William A. Bauer, president of the plumbing and heating division of American Standard Corporation, said Louisville has contributed to stabilizing the world economy. He said his firm has used a number of its personnel from Louisville to help start factories in nine foreign countries.

Some 350 persons attended.
THE NEED FOR RAW MATERIAL IMPORTS

A talk by

John H. Lichtblau, Research Director
Petroleum Industry Research Foundation, Inc.
New York, N. Y.

before the

Ninth Kentucky World Trade Conference
Louisville, Kentucky

November 10, 1958
I am very pleased to have the opportunity to participate in this important conference. We on the East Coast sometimes tend to think of foreign trade as our private domaine whose problems have evoked little interest, and often downright opposition, in many other sections of the country, particularly the Middle West. It is very satisfying to learn at first hand how incorrect this impression really is.

The subject assigned to me deals with U. S. raw material imports. In discussing this topic it might be useful to start off with some data about its magnitude. In this we are helped by the fact that America's 13-billion dollar import trade can be conveniently broken down into four major categories: raw materials, semi-manufactured goods, finished products and foodstuffs. By stretching a few decimals, it may be said that each of these account for about one quarter of our total imports.

While all four categories contribute, of course, to our general economic welfare, I consider raw material imports the most essential (and not just because they are the subject of my talk). Finished and semi-finished imports must generally compete with similar types of domestic goods, so that our dependence on them is rarely absolute. The situation is somewhat different for most of our food imports, inasmuch as there is no domestic substitute for them. But even a serious shortage of coffee, tea, cocoa or bananas would not endanger our national survival, though it might well create considerable morale problems around the nation's breakfast tables.

However, most of our raw material imports can neither be replaced by domestic resources nor can we do without them. For they are, quite literally, essential imports.

For America, this is a relatively new development. Until about
20 years ago, we were largely self-sufficient in raw materials. In fact, we used to have considerable export surpluses in many of them. Thus, until the mid-1930's, we were the world's largest oil exporter and also had significant net copper exports, while today we are the largest oil importer and our net copper imports equal about one third of our domestic output.

What has brought about this basic change in our raw materials position? Primarily, our own ever-growing standard of living. For nearly half a century now, we have been the richest nation on earth, in terms of real per capita consumption. During this period, we have used up far larger quantities of fuels, minerals and other raw materials for each of our citizens than any other nation, and often even more than all other nations combined. And we are still doing so. In fact, with less than seven percent of the world's population, we are consuming about 35 to 40 percent of its entire mineral output. In addition, in the past we have exported a significant share of our non-renewable natural wealth.

The inevitable result of all this has been a steady depletion of our non-renewable resources to the point where today we are no longer self-sufficient in many of our basic raw materials. Thus, if we want to keep our accustomed top position among the world's standards of living, as well as maintain our defense establishment, we must look to foreign sources for a steadily growing share of our raw material needs.

Of course, some of our raw material requirements have always been met mainly by imports. The U. S. Department of Commerce lists 81 commodities of this type, including such essentials as natural rubber, tin, nickel, manganese, bauxite and chromium. These might be called non-controversial imports, since no one will argue against them.
But the raw materials I would like to discuss here are of the other kind. They are all surrounded by plenty of public controversy, usually because we have been self-sufficient in them in the past but must now rely increasingly on imports. Copper, lead, zinc, iron ore and petroleum are well-known examples of this type of commodity. In the three non-ferrous metals just mentioned, we met all our needs from domestic sources until the late 1930's. Yet, today we must import at least 30 to 40 percent of our requirements. This is not because imports have displaced domestic production, as is sometimes believed, but simply because domestic reserves are no longer adequate to fill our needs.

True, at the moment some excess mining capacity exists for all three of these raw materials, due partly to the recession-conditioned decline in consumption and partly to unusually low commodity prices abroad. But these are clearly temporary factors with no effect on the long-term trend which shows a growing gap between supply of and demand for copper, lead and zinc in the United States. Both the famous Paley Report on our national resources and subsequent industry studies have confirmed this trend.

Whether, in view of these facts, it makes good sense, economically or politically, to antagonize foreign suppliers forcing them to seek other market outlets, and at the same time to discourage investments in foreign mineral production is questionnable, to say the least. Yet unfortunately, this is just what the President's recent restrictions on lead and zinc imports will accomplish.

The short-term benefits of this action to domestic mine owners are, therefore, likely to be more than offset by its long-term injuries to our overall mineral supply position. And, of course, the ultimate consumer of these minerals, who seems to be the forgotten
man in all this, is likely to suffer both in the short-run and the long-run, as is evidenced by the immediate price advances which followed the imposition of restrictions.

However, the need to rely on imports for a growing share of supplies is not always as obvious as in the case of these minerals, where it is based on the absolute inability of domestic output to match requirements. Take the case of our oil imports, for instance, which I have been studying at rather close range of late. Oil imports have grown at a rapid pace throughout the postwar period and have now displaced coffee as our No. 1 import commodity. Yet, our domestic oil reserves are not about to run out. In fact, they are bigger than ever. And in an emergency we could probably step up our home production sufficiently to fill all our domestic needs. Then, why do we import growing quantities of oil? Mainly, because our domestic oil industry has reached the phase of diminishing return, to borrow a term from economic theory. This phase is inherent in the life cycle of all extractive industries. It occurs when the same amount of effort yields a progressively smaller volume of output. In plain English, this means that our domestic oil industry is becoming less and less efficient. Needless to say, this statement does not imply any criticism of the effort, ingenuity and pioneering spirit which has always characterized this industry. What it does mean is that after a hundred years of combing our subsoil for oil, the best and biggest fields have, by and large, been discovered so that from now on it is going to be increasingly difficult and, above all, costly to locate the new oil deposits needed both to replace those that have become depleted and to meet our steadily rising demand.

The evidence of this trend is quite obvious to anyone familiar with oil industry figures. I will not bore you with statistics but I
can assure you that the rising ratio of dry holes, the declining share of large fields among new discoveries, the increasing depth of wells and the declining rate of net additions to reserves all spell out this trend in cold figures. Higher effort and technological progress have no more than slowed down this development. I doubt whether anything can reverse it.

I would like to emphasize again, this does not mean we are running out of oil. There is still plenty of the black gold left in our ground and unless Congress is misled into reducing the existing tax allowance for oil depletion, which would have disastrous consequences for our domestic oil producers, we will have a strong domestic oil industry for many decades to come.

But it can no longer do the job alone. We are now consuming nearly one half of the world's oil output, but have only 11 percent of its proved reserves. Obviously, our domestic base has become too small for this level of consumption. If we scraped the bottom of the barrel, so to speak, we might get by for a few more years without increasing our imports. But it would be a very costly affair. We certainly could not do it at the current wellhead price for oil of about $3.00 per barrel. In turn, this would have a most serious effect on our national economic base, since oil supplies over 40 percent of our total energy needs. At our present rate of consumption every 10 percent increase in oil prices would add more than one billion dollars to our national energy bill. Clearly, this would not be desirable. Not even for the oil industry itself, since crude oil, like most commodities, has its full share of actual and potential competitors, eagerly waiting in the wings for just such an opportunity.

Fortunately, we have no need to mobilize our least productive wells in order to satisfy our growing need. American companies
operating in Venezuela, Canada, the Middle East, Indonesia and elsewhere have discovered gigantic new oil reserves in those countries on which we can draw increasingly to supplement our own production. I might add that the fact that these reserves are owned and operated by American companies greatly reduces the commercial and political risks often associated with foreign supply sources.

It is sometimes held that oil imports are a threat to our national security. It seems to me that just the opposite is true. Our economically recoverable reserves, as I have said, are quite limited. Once they are gone, we will either have to rely on foreign sources for all our oil needs or we will have to pay the exorbitant prices required to develop our - at present prices - uneconomic reserves. Either of these alternatives - an inflationary increase in our primary energy cost or total dependence on overseas supply sources - poses a real threat to our national security. The only way we can avoid both of these bleak prospects is by carefully conserving our economically recoverable reserves. This means that we must fill a part of our growing need from foreign sources, as long as they are readily available to us.

If we look at oil imports in this way they are a help rather than a threat to the domestic oil producer. Actually, a growing number of domestic companies seem to have realized this and, instead of merely hiding behind complicated bureaucratic import restrictions, they are now going abroad themselves in search of a share of the foreign oil which we must have if our energy supply is to keep pace with our overall economic growth.

What I have said about oil imports applies, with some modifications, also to many other minerals. America's mineral frontier, which once seemed to be unlimited, is gradually disappearing.
This fact is wrought with tremendous consequences, not only for ourselves but for the entire free world. Since our raw material imports must expand to meet our ever-increasing upsurge in demand, our foreign trade will become more balanced as our long-term export surplus disappears. This will be for the good of both the U. S. and its trading partners, for no country can permanently export more goods and services than it imports. The fact that we have done so for so long has been the main reason for the great dollar shortage abroad, which has caused so many restrictions against our exports.

Equally, if not more, important is the fact that an increasing share of our dollar expenditures abroad will go to those countries whose need for foreign exchange is greatest, namely the underdeveloped countries which account for the bulk of the world's raw material output. As these countries increase their living standard, they are bound to become better customers, to the benefit of our many export industries. We can see the workings of this mechanism in the case of Venezuela, for instance, whose billion dollar purchases of American goods and services last year provides a perfect illustration of the indirect benefits our economy derives from raw material imports.

The metamorphosis of America from a "have" to a "have-not" nation is inevitable. This does not mean that our prosperity will come to an end but rather that we will have to share it increasingly with the rest of the free nations.

In a world in which international interdependence has become a by-word, such a development is eminently fitting.

Thank you.