

But I think anyone would be very hard put to be able to prove that the substantial tariff cuts negotiated in the Kennedy Round will be nullified by border taxes that are presently in being.

Representative WIDNALL. The reason I raise the question, I have in front of me a statement recently made that in the Kennedy Round, West German Government tariffs will be cut by an average of 20 percent. That is about $2\frac{1}{2}$ percentage points. However, West Germany will increase its border tax on imports by 5 percent, 5 percentage points, double the Kennedy Round cut. Where do we come out there?

Mr. ROTH. You have to remember that the increase in border taxes is to offset an increase in domestic added value tax. In other words, it is not supposed to be a penalty against imports. We, however, made a unilateral statement that is a part of the Kennedy Round record saying that, if our tariffs are in effect nullified by any protective incidence in the border tax, we would want to consult and take appropriate action.

May I say, because this is such a difficult area, that we have tried working with industry to have more studies made on what the effects of border taxes would be. One group of industrial concerns was going to pay for a study that the National Industrial Conference Board had made. But a lot of work has to be done to even know the nature of this problem. You can't make a sweeping statement in this area; it is too complicated.

Representative WIDNALL. But if our only recourse to being hurt is to go to a committee and make a complaint and have a hearing and go through something like an appeal to the Tariff Commission, where you end up with a decision on this thing maybe 2 or 3 years later, in the meantime we can be hurt badly. And I think we should understand fully what the advantages are that West Germany will gain through the imposition of the border tax.

Mr. ROTH. If we can prove that they gain an advantage in terms of additional protection for their market, then we will have a case. But we have to prove it. And as I said, the theory of the border tax is that it offsets on a 1-to-1 basis the internal tax that the domestic producer pays.

Representative WIDNALL. Mr. Roth, I have one more question. Do you agree with the president of the American Iron & Steel Institute, Mr. Roach, that the steel industry cannot improve its export position unless nontariff barriers are removed?

Mr. ROTH. The simple answer is "No." The more complicated one is that it would be necessary in steel, as in many other of the important industrial sectors, to continue to work to remove nontariff barriers. There are many areas, including that of Government procurement, where it is very difficult to get into other markets. And it is also difficult under our law sometimes to get into our markets. But certainly steel is not an area where nontariff barriers are critical. I don't think that the U.S. steel industry cannot expand their exports without further movement in this field.

Representative WIDNALL. Thank you, Mr. Ambassador, my time is up.

Mr. ROTH. Mr. Chairman, could I just say something about what we did on steel in the Kennedy Round, because I think it is rather important.

Chairman Boggs. Surely. Go right ahead.