

limited it is clear that a relationship does exist, as almost one-quarter of our total exports is to overseas subsidiaries of U.S. firms. As you know, when U.S. firms seek to enter international markets they have a variety of ways they can go about it. One of these is by exporting, another is direct investment, and a third is licensing. And they seek to be effective in international markets by the appropriate mix of these three methods.

This is reflected in part in the extraordinary growth over the last decade of the international firm. We know these firms are making very considerable contributions to economic growth here as well as abroad. We also know that these firms have great flexibility in shifting sales and purchases among suppliers of various countries. We believe we should look further into this relatively new aspect of international business so that we can take into account more fully the effects of policy decisions on the operations of these firms.

Much has been said and written about nontariff barriers and in the Kennedy Round the first real progress was made in tackling these restrictions on a multilateral basis. Nontariff barriers are different things to different people. Some European countries, for example, consider that the U.S. tariff is itself a nontariff barrier because the United States has not adopted the Brussels tariff nomenclature system. We, of course, reject such contentions but the very argument illustrates the variety of things which someone may regard as a trade barrier. Dealing with these subjects is very difficult and requires a great deal of time and effort and understanding as well as constructive thinking on the part of all interested parties. The agreement on international rules for dumping emerged from the Kennedy Round because all countries agreed after long discussion that there was a common problem and that individual attention to it by each country only compounded the difficulties.

This area is very broad and we believe that we should pick up from where we stopped in the Kennedy Round and proceed to see what we can do. Some of the important nontariff barriers of particular concern are in the areas of national procurement, quotas, purchasing policies of State enterprises and monopolies, and safety and health regulations.

But let's not forget that, like negotiations on tariffs, negotiating removal of nontariff barriers to trade is also a two-way street. We have to be willing to put our own house in order when demanding that others do likewise. The handling of the ASP legislation will be a major test in this respect.

Many consider that the border taxes imposed by a great number of the developed countries constitute a nontariff barrier. We do not disagree, but there is a strong relationship with the general problem of tax policy. This issue is extremely difficult in that we are dealing with national tax structures and any solution will have to be approved by a host of national assemblies. Some theorists argue that border taxes have no trade effects. However, it is another thing to explain to a businessman that a border tax of 10, 15, or 20 percent on top of import duties does not have any effect on his exports, or that exemption from such taxes of exports to this country does not have an effect on the prices in the marketplace in the United States. We do not yet have satisfactory answers to the border tax question but we will be looking