

foreign markets rather than worrying about greater import competition at home. And it seems to me the expanded opportunities for additional sales abroad should outweigh any adverse import competition, resulting in a net benefit to our balance of payments.

For one thing, the roughly reciprocal tariff reductions should assist U.S. trade more than that of Western Europe if only because we start out from the competitive advantage of running a substantial trade surplus—something on the order of \$4 billion this year. So, even if U.S. imports were to increase by a larger percentage than exports, our trade balance still would improve.

The Kennedy Round tariff cuts will reduce the inherently discriminatory impact of the European trade blocs. Eight years ago, when European countries began to eliminate tariffs among themselves, exporting from the United States became relatively more difficult. But the lower the external tariffs of the European trade blocs, the smaller will be their discriminatory impact. Indeed, the major reason President Kennedy proposed the Trade Expansion Act in 1961, you will recall, was to reduce the European Common Market's diversionary effect on world trade. The goal has been largely accomplished in industrial, if not in agricultural, products.

In looking ahead one might suppose that another round of international tariff negotiations could provide a still further boost to world trade, and the U.S. policy should continue to pursue the goal of multilateral tariff reductions.

However, I suspect that the Kennedy Round is likely to be the last such worldwide tariff-cutting session for some time. The Geneva negotiations—long drawn out and often acrimonious as they were—indicated there would be little further scope for another similar exercise soon. Tariff levels are now quite low, averaging an estimated 8 per cent on industrial products in the United States and Western Europe. So, further cuts would probably provide a comparatively smaller overall stimulus to trade than the present reduction.

What's more, new reductions in the remaining tariffs could prove more difficult to secure. These tariffs often constitute important special protection, with strong domestic interests opposing any further cuts. In addition, there could well be an absolute resistance on the part of regional trade blocs—both in Western Europe and elsewhere—to preserve at least minimal external tariffs, since preferential treatment within the blocs was the main incentive for their establishment in the first place.

My feeling, therefore, is that additional general tariff reductions along the lines of the recent Kennedy Round are not in the cards. To be sure, further progress in tariff-cutting can and should be made. I am very much in favor of providing the Government with some type of negotiating authority to carry out minor adjustments. This could include possible elimination of so-called nuisance tariffs—those which are already below 2 percent and which serve only to increase administrative costs. But no new general tariff reductions seem feasible in the foreseeable future.

This means that after six rounds of GATT negotiations since the Second World War, U.S. trade policy will most likely face in the years ahead a completely different set of policy issues from those of the past. In my view, three of these issues merit special attention.