First, the problem of nontariff barriers which, after the Kennedy Round, remain the most serious obstacles to trade expansion.

Second, the demand of many less-developed countries for some kind of preferential tariff treatment.

Third, the pattern of U.S. trade relations with Canada, a particularly compelling issue in view of the steady expansion of regional trade arrangements in other parts of the world.

In the area of nontariff barriers, some headway was made in the Kennedy round, most notably the successful negotiations of an antidumping code, and modification of certain European trade restrictions as part of the agreement to eliminate the American selling price valuation of some chemical imports. But other important nontariff barriers remain as impediments to trade. For instance, there are the European border taxes which are levied against imports as an offset to domestic sales taxes and which are refunded to European exporters on the grounds that such taxes are not imposed in foreign markets.

Though this practice of offset and refund is sanctioned under GATT, I must confess to considerable misgivings over the principle and its practical validity. European countries derive a major part of their revenue from sales taxes at each stage of the manufacturing and distribution process, while income taxes are relatively less important. In the United States, on the other hand, the overwhelming part of business taxation is in the form of income taxes. Thus, contrary to European manufacturers, American businessmen cannot claim part of their tax liability as export refunds.

Other important nontariff barriers are differential government procurement policies with respect to local and foreign products; import quotas, particularly in agricultural trade; various domestic subsidies or government pricing policies that affect international competitiveness; and customs valuations and practices. Just how many such nontariff barriers exist, and in what ways they may affect international competitiveness, we know only incompletely.

I understand that Ambassador Roth's office is preparing to undertake a detailed study of the whole complex of nontariff barriers. This is absolutely necessary before the next step—a reciprocal dismantling of such barriers—can be contemplated. There is a persistent feeling that Western Europe's nontariff barriers pose a greater obstacle to trade expansion than our own. But I don't think we really know all the facts, and this specific problem of border taxes would seem to require a thorough rethinking. In my opinion, it would not make much sense to push for further tariff reductions without first making some progress in reducing the more prohibitive nontariff barriers.

A second major issue confronting U.S. trade policy in the years ahead will be the developing countries' demand for preferential tariff treatment on manufactured goods. Britain grants tariff preferences to member nations of the Commonwealth, and the Common Market has concluded special arrangements with the French-speaking African countries. This means, for instance, that many of our Latin American and Asian friends find themselves at a competitive disadvantage when exporting to the large European markets.

There is a real question in my mind whether we have not rejected out of hand an important means of aiding the less-developed coun-