cause of its item-by-item method of tariff reduction, was unable to match. To achieve results the President would have to be given authority to offer linear tariff cuts, unrestricted by peril points. The Congress gave him this authority. Protection to American industry was provided by the TEA's "adjustment assistance" provision for both industry and labor in addition to tightened escape-clause criteria. Tariffs could be cut by 50 per cent, reductions of tariffs to zero were permitted on certain tropical products of interest to the less-developed countries, tariffs of 5 per cent or less (nuisance taxes) could be reduced to zero. Under the "dominant supplier" provision the President was authorized to reduce to zero the tariff on articles in which 80 per cent of Free World trade was accounted for by the United States and the EEC. But this latter provision was based on the assumption that the United Kingdom would soon become an EEC member; it became virtually meaningless when President de Gaulle vetoed Britain's application in January 1963.

This brief outline of U.S. trade legislation brings us to spring 1967, when the fate of the Kennedy Round hangs in the balance. The U.S. government must now decide whether the momentum achieved in liberalizing international trade can or should be continued, or whether the frustrations that have attended tariff negotiations in the Kennedy Round should be allowed to slow down or actually bring to a halt the gradual lowering of trade barriers by the nations of the Free World.

Three Courses of Action

Three possible courses of action appear to be available to the President in making recommendations for trade policy legislation to succeed the TEA. (1) The President could decide that no new trade legislation is necessary. (2) He could ask Congress to extend the Trade Expansion Act for one or more years, in its present form or with certain changes. Or (3) he could request the enactment of new legislation, either modifying the Kennedy Round approach or proposing a bold new initiative in foreign trade policy.

Failure to enact new trade legislation would slow progress toward lowering trade barriers, raise doubts about the United States determination to continue in this effort, and sacrifice U.S. world leadership in this vital area of economic policy. Moreover, continuing participation in the General Agreement on Tariffs and Trade (GATT) requires that the President be empowered to enter into limited trade agreements from time to time. If the United States invokes the escape clause of the TEA, we must be in a position to offer compensatory concessions to the injured parties, or face retaliation in the form of countervailing barriers to U.S. exports. It would seem imperative, therefore, to enact some legislation not long after the TEA expires.

A decision to extend the Trade Expansion Act in its present form for one or two years would preserve the basic authority necessary for the President to handle routine trade problems arising from our obligations under GATT. Such a simple extension, however, would sidestep certain imperatives of the present situation both here and abroad. An evaluation of domestic and foreign political factors suggests a two-step approach: first, a request to extend the TEA, with certain additions and modifications, for a period of two years; and second, preparation for a major new foreign trade initiative in 1969.

In support of this two-stage approach, postponing major new legislation until 1969, it can be argued that both government and private industry want a respite from further intensive negotiations. It may be necessary, therefore, for the President to give assurances to the Congress that no major tariff negotiations are contemplated during the period of the extended legislation. Thus the residual authority would be used only for such adjustments as become necessary. Certainly it will take time to evaluate the effects of reductions negotiated in the Kennedy Round.

Moreover, since 1968 will be a Presidential election year, the political climate probably would make it inadvisable to introduce any strikingly new and potentially controversial trade legislation before the election. Whether or not President Johnson wins a second term in 1968, the year 1969 would appear to be an appropriate time for setting forth new and forward-looking trade proposals. Thus, it would be logical to request a two-year extension of the present act.

Any modifications of the present TEA requiring extensive Congressional hearings should probably be avoided because of the pressures for protectionist amendments that could arise from certain industries which fear the effects of the Kennedy Round, as well as from those Members of Congress who think that tariff reductions will adversely affect the U.S. balance-of-payments position. There are