

trade or balance of payments, leave their import license procedures on the books. They merely make licenses easy to get when imports are desired.

3. Some countries require import deposits, which run from a modest amount up to as much as 200 percent of the value of the merchandise. This is, in effect, a forced loan against the foreign exporter. These deposit systems have been extensively used by South American countries. Even more important than the interest cost is the loss in purchasing power through a rapid and continuing price inflation that reduces the purchasing power of the local currency.

4. Foreign exchange allocations of currency for imports. This has been extensively used in Japan and in some Latin American countries.

5. Price controls have been used by India and Belgium to limit specific imports.

6. Specific requirements such as field testing of pesticides by West Germany and France, or difficulty in registering pharmaceutical products in Spain.

7. Excessive delays in the clearance of import licenses and excessive paperwork are procedural impediments in a number of countries, notably in South America.

8. Cartel arrangements which may be used to freeze out other potential suppliers, as was the case in the EEC for the distribution of ammonium sulphate fertilizer to preclude U.S. entry into that market.

9. The use of turnover, value added or cascade consumption taxes and special surcharges in some EEC countries are another potent nontariff barrier.

In moving to harmonize the taxes on business within the EEC, several countries are adding or adjusting their value added tax. This becomes significant because whereas the total tax against business in Europe does not differ greatly from ours, in most countries half or more of the corporate tax is in the form of a value added or turnover tax, whereas most of our corporate tax is profits tax. When we ship to Germany, we will already have paid income tax on the total income and will, in addition, have to pay a border tax equal to the turnover tax that would have been paid if the product had been made in Germany; so the total tax on exports from the United States to Germany will be considerably higher than on German production.

By contrast, when a German firm—the same is true for many European countries—ships to the United States, it does not have to pay the value added tax that it pays on domestic sales. Thus, the tax on a U.S. export to Germany is about twice as much as the tax that a German producer pays on exports to the United States. This is one example which shows how taxing differences can affect international trade.

U.S. TRADE EXPERIENCE

National trade policy, if it is to be successful, must be sound. To be sound, it must recognize and accommodate to the facts of the real world: a world composed of sovereign nations and less-than-perfect men. Men who are often shortsighted and seek short-term gain over