

Mr. NEHMER. The information I have seen on that would indicate the latter, that it is free and open. I must say I do not have firsthand knowledge on that and I cannot corroborate it.

Representative DELLENBACK. The reason I ask that particular question is we have had testimony in earlier days, you see, indicating that the merchandising in the Japanese market is through a trading company or cartel or near-cartel system which makes it really almost impossible for our suppliers to get directly into the Japanese consumer market. They must trade through somebody who controls.

Mr. NEHMER. Well, the use of the trading company is certainly practiced to a much greater extent in Japan than it is, say, as far as the United States is concerned. This does not in itself mean, Mr. Dellenback, that it is unnecessary or an obstacle to trade with Japan.

The question or the problem that I would see that we might have in getting into the Japanese market would be if there were some sort of quotas, or import restrictions of some kind. We are not aware of any such restrictions.

Representative DELLENBACK. You know of none of that type of restriction that would really preclude or block?

Mr. NEHMER. No.

Representative DELLENBACK. Thank you very much, Mr. Nehmer. Thank you, Mr. Chairman.

Senator MORSE. Thank you very much. I want to be very brief.

I will take you to page 4, where you discuss the three criteria that are necessary for the application of the Export Control Act, those criteria that I was referring to earlier and Congressman Dellenback helped clear up a misunderstanding that existed between us.

You thought I was talking about the criteria which, happened to be three, in regard to determining short supply.

But the criteria for applying the Export Control Act stated at the bottom of page 4, are, you say, "National security, foreign policy and short supply."

As far as those criteria are concerned, a finding in regard to any one of them would justify the application of the Export Control Act, would it not?

Mr. NEHMER. If the circumstances were one of national security, or foreign policy, or short supply, yes sir; certainly.

Senator MORSE. That is what I mean.

Now, when we come to page 5, where you set forth the requirements, there is a criterion that must be found in order to make a finding that there is a short supply, I quote from your testimony. To meet this criterion—that is, short supply—this analysis should clearly demonstrate in the absence of export controls there will be a shortfall in supply which will make it impossible to meet essential domestic requirements.

The second criterion involves an analysis of past and expected future exports. To meet this criterion, there should be a definite demonstration that current and expected future foreign demand is in fact abnormally high.

Finally, to meet the third criterion, analysis of price indicators for the commodity should show clearly an inflationary tendency.

I would like to suggest that that you refer and others who are going to be involved at the executive level in the final decisions as to what we