country looks to to provide the essential skills for CRAF—I might explain CRAF is the Civil Reserve Air Fleet—operations will be the ones injured by the Treasury proposals. Obviously, these proposals were not intended to produce unemployment or loss of income, but that is the effect they would have. The burden would fall on three U.S.-flag airlines, Northwest, Pan Am, and TWA. These are this country's largest flag airlines and carry most of the traffic accruing to U.S.-flag airlines in the Western Hemisphere. They are heavily committed to the CRAF and have large parts of their fleets operating under Department of Defense-MAC airlift to and from Vietnam. Treasury proposals were not intended to be discriminatory, but that is the precise effect they would have—if legislatively imposed.

We would like to point to a fallacy in the Treasury analysis of this great problem, one that previous witnesses will have documented better. The imbalance in tourist carriage has produced a "deficit" in dollar payments in international travel. The treasury first identifies the cause, then ignores it. The cause for this tourist "deficit" lies in the continued disproportionate carriage of U.S. residents by certain foreign-flag airlines between the United States and other countries, despite a preponderance of U.S. residents among these passengers. This imbalance in traffic distribution between these foreign-flag airlines and their U.S.-flag competitors has produced a double jeopardy for this country. It has enabled certain foreign airlines to generate enormous dollar revenues while precluding normal development of the particular routes by their U.S.-flag competitors.

The causes of the startling disproportion in traffic carriage are many, but they contravene the spirit and meaning of the Bermuda capacity clauses of the respective bilateral air transport agreements between these countries and the United States. Neither this administration, nor any of its post-World War II predecessors, has seen fit to seek correction of the inequities in traffic carriage over these particular routes. The consequence is the stultified development of U.S.-flag airline service over these routes and a growing, continued deficit in dollar payments.

Selection of the U.S. tourist as the culprit gives the offending foreign-flag airline continued carte blanche to disregard the Bermuda principles and tacitly acknowledges this Government's unwillingness or inability to resolve the inequities. Now the administration seeks to correct its shortcomings by penalizing the U.S.-flag airlines and their employees who have borne the brunt of the administration's failure to correct the inequities.

Rather than take the negative approach, this administration has the responsibility to correct the situation vis-a-vis certain foreign airlines. Correction would produce a reversal of dollar flow, possibly as much as $100 million annually.

Although the Treasury analysis may be financially correct, we feel its logic is invalid. The Japanese Government has already embarked on a "Fly Japan Air Lines" campaign. Who else will follow? The Treasury does not control the actions of other governments. Does it really believe this Government can sharply reduce the flow of U.S. tourists abroad and still increase travel by foreigners to this country? Does the Treasury analysis not consider the probability of retaliative action abroad? The U.S.-flag airlines' market for foreign tourists is a