

Mr. DANIELIAN. Well, that depends on the base you start from. If they start from \$1 an hour and they go up by 50 percent that is \$1.50 an hour and if you start at \$3 an hour and our wages go up by only 10 percent that is \$3.30. You still are at a disadvantage.

But I think the important thing is to consider productivity per man hour. When you travel abroad there are not very many products you see in the stores that are cheaper than in the United States, even shirts, or TV sets, and so on.

So if they would only allow these things to come in we could really solve this balance-of-payments problem, but they will not. The world is now divided into these trading blocs which are trying to become self-sufficient within themselves. We are encouraging the organization of these trading blocs because it is good for them, but at the same time when they do organize the principle is to favor those on the inside and to discriminate against those on the outside. We must not be surprised if the net result of it is a diminution of U.S. exports to those countries because they are going to make some of the things themselves, even if it costs more to do so.

Mr. SCHNEEBELI. In encouraging these types of common markets we are depriving ourselves of future markets as well, aren't we?

Mr. DANIELIAN. Yes.

Mr. SCHNEEBELI. Getting back to my original question, you then are in favor of export incentives to try to beef up our balance of trade.

Mr. DANIELIAN. Yes. On the other side, and I don't want to duck the question, on the side of putting imposts on imports, I would prefer for our trading partners to be more yielding so that it would not be necessary to do so.

Mr. SCHNEEBELI. You would prefer this, but the experience we have had in the last couple of years doesn't seem to indicate it is going that way because what they have done January 1 over in the Common Market is being more discriminatory against our products with their tax program, particularly France.

And doesn't this whole attitude of a little more protectionism or export incentive militate against the Kennedy round, of what we are trying to accomplish in lowering tariffs? Aren't we going in two directions at one time here?

Mr. DANIELIAN. I think it will shave off that much of the advantage, yes, of the Kennedy round. But the Europeans have done that since the Kennedy round. They raised the support price of corn, for instance, by 12 to 15 percent which automatically increased the variable levy and to that extent they favor the corn or feed grains produced in Europe as against the outside imported products. And they have done this on the tax front, so apparently the Common Market countries are not as sensitive to principle as we are in this matter.

Mr. SCHNEEBELI. Would you say that we are a little more idealistic in our approach to this problem than the Common Market countries, particularly what has happened over there since January 1?

Mr. DANIELIAN. We are looking at the welfare of the world in the long run and I wouldn't discount this as an ideal objective, but if in the process we are going to put ourselves in the control of shortsighted statesmen, as has been exhibited, say, in November and December in the gold speculation, then you sometimes wonder whether we can afford to put ourselves in their control in the name of the longrun ideal.