nomenal, but imports have increased faster than this, from $14.6 billion in 1960–61 to $26.6 billion in 1967, a $12 billion increase or 80 percent in 8 years. While we are going up we are still hitting an ever-increasing low factor here. Do you have any recommendations on how that might be changed?

Mr. HARRIS. I have no specific recommendation other than the one here which I cited, which is to say, don't make it harder. I think that business travel tax would make it harder. I also think that the Kennedy-round reduction should do a lot to offset the trend where the two lines are converging because, contrary to what was said this morning, the United States came out pretty far ahead in the concessions that were made and most of the concessions were more favorable to the United States than to other nations, contrary to what was said.

Mr. BATTIN. Maybe that is the conclusion you have drawn, but some of us perhaps have a different view of how far ahead we came out because we really have not had a chance to see it implemented as yet. How many more nontariff barriers are going to be raised by other countries who were signatories to the Kennedy round?

Mr. HARRIS. You are talking about border taxes.

Mr. BATTIN. Border taxes, licensing to import, and many others that have grown up as a custom through the years.

That is all I have, Mr. Chairman.

Mr. ULLMAN. Thank you very much, Mr. Harris.

Mr. HARRIS. Thank you, sir.

(The following letter was received by the committee:)

EXPORT EXPANSION PROJECT COUNTERSURGE,
New York, N.Y. February 28, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. MILLS: As a witness at yesterday's hearings on the Travel Tax Program I was asked (by Rep. Battin) 1) If I could explain the disparity between the current rate of growth of U.S. imports and exports (imports appear to be growing faster over the long pull) and 2) why I thought the Kennedy Round was favorable to the growth of U.S. exports.

I am not satisfied with my answers to these questions, and I would like to elaborate on them as follows:

1. Imports vs. exports: In response to my specific inquiry last spring, I was advised by the Bureau of International Commerce of the U.S. Department of Commerce that further escalation of hostilities in Viet Nam (in 1967), of the type requiring sizable additional expenditures for goods in this country by the U.S. government would, as in 1966, stimulate domestic economic activity and generate higher incomes. Thus, *imports* of industrial materials, capital equipment, and consumer goods would be accelerated. On the other hand, expansion would be retarded, particularly for industries directly or indirectly providing goods for military purposes.

De-escalation or cessation of hostilities in Viet Nam should strengthen our export position and reduce demand for imports. As inflationary pressures on the economy weakened with reduced military outlays, a larger share of U.S. production would be available for foreign markets, and American business would be in a better position to exploit export opportunities. At the same time, imports of industrial and consumer goods would rise more slowly, reversing developments in 1966 when our involvement in Viet Nam had to be expanded.

(By extension, I think it is a fair assumption that other domestic inflationary pressures have been having a similar effect on the trade balance over the last decade, although, as cited elsewhere in my testimony, domestic inflation in general continues to lag foreign inflation, thereby keeping competitive the U.S. products that do reach foreign markets.)