

to immediately come to the Congress with a major new trade bill following the old pattern of tariff reductions. Many of the developments since 1962—and one of the most important is the development of major trading blocs such as the EEC, LAFTA, EFTA, et cetera—had to be carefully studied before setting a major new trade direction.

Having said that, let me comment directly on the problem of the EEC. It is true that as tariffs have gone down and will continue to go down within the EEC, it has made it easier for the six nations to trade with each other to the disadvantage of third country exports.

This was one reason why the Kennedy round itself was of critical importance, in order to narrow the disadvantage that other countries—this country and the EFTA countries, for instance—would have in that market. In tariff terms, in many areas this disadvantage has become quite narrow, so that looking to the future tariffs will play much less important a part than in the past. This is in a way why so much focus since the end of the Kennedy round has of a necessity shifted to the problems of nontariff barriers.

In November at a GATT ministerial meeting, the United States requested the beginning of a discussion and ultimately a negotiation on the whole range of nontariff barriers. At a more recent date, we asked for a specific negotiation on the very complex and very difficult problems of the border tax problem and the relationship between fiscal systems and trading policies.

Finally, let me just comment briefly on perhaps the most difficult problem as it relates to the European Economic Community, and that is its common agricultural policy.

This is, we believe, a restrictive one. During the Kennedy round we were able to obtain some very important agricultural concessions from the EEC, but we were not able and we did not expect under the circumstances to dismantle the common agriculture policy. So it is true that an important segment of European agriculture is protected by the so-called variable levy system, which gives it very strong protection and leads in many cases to uneconomic production of agricultural products in Europe.

We have found in the past subsidized frozen poultry from Europe competing against ours in the world market, and more recently heavily subsidized barley competing in the Japanese market. So we have been concerned in two ways, one in terms of that system as it relates to our exports to Europe, which by the way in agriculture have been growing, and also because the system allows a subsidization of uneconomic agricultural production exported to third countries.

Therefore, we are pursuing this with increasing intensity. The example I used in my testimony was in poultry. Although we are against subsidizing exports as a general approach, we are determined that where this is necessary—as in the case of a product such as poultry—in order to regain our market, in this case Switzerland, we will do it. At the same time, we are insisting on intensive discussion and negotiation in the GATT.

We have problems ahead of us in tobacco and canned fruit, and from the administration's point of view it is of paramount importance that we push very hard in this direction. Let me say finally that in terms of long-range problems within the EEC, the CAP is a very expensive system for those countries that have to pay for it, in effect.