

Germany perhaps pays the largest part of the bill and because of this I would think as time goes on there will be some adjustment. But we must push to be sure that we can continue to get our own share of that market.

Finally—I apologize for this long discourse—it is true, however, from a purely selfish American economic point of view that the development of a large market has meant the possibility of greater exports from this country.

As the EEC grew and became more prosperous, this became an important market to us, and when looking at our trade figures, the fact that 1966–67 was a poor economic year in Germany had a major impact on our exports.

In fact, this year I think their growth rate is in excess now of 5 percent. This should have a major impact on our exports.

Mr. ULLMAN. But, Ambassador, you are asking us to proceed with the trade package and just pin our faith on your ability to negotiate against the tide, which is in effect what we are doing.

These are new practices being put into effect. This is the trend over there. The trend is toward trade subsidy as you have just mentioned, in the field of agricultural products, but it is toward subsidy in other areas too, which is the very antithesis of everything that our trade policy has stood for. This has been the basis for retaliatory action.

If any one nation subsidizes its exports then under our general trade policy this has allowed retaliatory action by other nations and yet that is the trend over there, is it not?

Ambassador ROTH. First, Mr. Congressman, I would like to say that there is, I think as you indicated, a difference between agriculture and industry. In agriculture we have a long way to go before we reach really liberal trade, if we ever do.

In industry we do have, as I indicated, the means presently to take action where there has been subsidization of manufactured products—under our countervailing duty law, and we have used this. Recently we countervailed against Italy on transmission towers. There is another case presently under consideration.

Even more recently in agriculture we took action against Italy on canned tomato products. Our countervailing duty law actually does not have an injury requirement as it nominally should under the GATT, but it is a law that we had before the GATT came into being and therefore we are in a position to move quickly where it is found that a subsidy exists.

Mr. ULLMAN. There are other means of subsidies, too, that are more indirect. Certainly one is the tax structure. The next area of great concern to me is the tendency among other nations of the world toward the value-added tax approach to taxation with a direct and immediate tax upon imports and a direct subsidy on exports. This is a very widespread practice not only in the Common Market countries but in country after country all over the world. It has a double-edged effect upon trade relationships and an adverse effect in both instances on our trade balance to the point there is in this country some growing sentiment that we eventually go to some kind of a value-added tax.

This seems to be fair game around the world. You can put a tax on imports if you do it the value-added way or you can subsidize your exports if you do it that way, but if you do it directly then it is not fair.