

"ORDERLY MARKETING" AND "EQUITABLE TRADE"

The nation's balance of payments problem and the weakness of the trade account have been used by the proponents of trade restriction as a compelling reason for the more usual types of trade restriction. In a time of balance of payments crisis, national economic policy should help create a more competitive domestic economy. Proposals for import "ceilings" and quotas are inherently anti-competitive devices, the opposite of the type of measure that should be taken.

For these general reasons, the Emergency Committee for American Trade objects very strongly to the restrictive trade formulae in what are called "orderly marketing" or "equitable trade" bills. A notable example of these, H.R. 16936, would automatically impose quantitative import limitations on the basis of simple arithmetic formulae. In effect, this "omnibus" approach to import restriction employs the quota device, but in a disguised form. Without prior proof of injury to domestic industry, import ceilings would be imposed based on rates of growth of imports, variously calculated, over varying time periods, and in different regional markets.

The application of these formulae would be an administrative nightmare. Experience with the operation of present import quotas, on cotton, textiles, oil and sugar, and the like has proved the difficulty of administering an import quota program and the impossibility of fairly allocating the quota among different domestic consumers and foreign suppliers.

Perhaps the greatest danger of the "omnibus" quota, or "equitable" trade approach is its rhetorical appeal. Its proponents argue that, in contrast to an inflexible quota, the "ceiling" approach would permit imports an assured growth as rapid as that of domestic consumption of particular products. They would hope to put aside the possibility of foreign retaliation by claiming that the ceilings would not actually "cut back" imports, but that they would merely allow "equitable" growth in tune with the rest of the market.

These arguments on their face sound reasonable and fair. But such market control devices have no precedent in the domestic economy, and they should not. As American businessmen, we believe that the so called orderly trade approach to competition and the marketplace is the antithesis of the competitive philosophy and attitudes that have made this economy the richest and most progressive in the world.

QUOTAS

A major concern of the Emergency Committee are the many quota proposals now before Congress. It is not possible to explore here the problems of each commodity for which there is a quota proposed. Invariably, each case for protection from foreign competition has different characteristics and causes.

Some firms or even industries may have some major problems which make them vulnerable to import competition. We do not ignore factors that make import competition unfair and disruptive. Our purpose is to find ways to make adjustment to competition easier, and to remove unfair trade practices, either through the application of existing statutes, the creation of new statutes, or by changes in, or creation of, new international rules.

The Emergency Committee's view is that quotas are a negative, self-defeating form of response both to problems of competition and to problems of unfair trade practices. By their nature, quotas reduce incentives to modernize, to cut costs, to increase productivity and output—the essential underpinnings of our high standard of living and wages. These forces would be weakened behind a shield of government restrictions which operate as subsidies. In the long run, our economic growth and high standards of living depend on the ability of efficient industries to compete in our own and in world markets, and we believe that trade legislation and policy should be directed to this objective.

Mr. Chairman, I have visited Europe several times in recent months, as well as Latin America. The leading businessmen I talked to in each country are all concerned with our balance of payments problem and with the prospect of trade restrictions here. To a man, however, they believe that restrictive actions by the United States would initiate a competitive series of restrictions in their own countries, with everyone a loser and no one a winner.

LOW-WAGE IMPORTS

Let me touch on employment. Some sophisticated exponents of import protection, using a computer analysis, have attempted to demonstrate a direct causal