

national Computers Ltd. to provide greater national competitive strength vis-a-vis U.S. computer manufacturers. A heavy marketing effort is underway in East Europe and underdeveloped countries.

Bilateral Trade Agreements.—Many of the countries strong in computers (e.g., France, United Kingdom, West Germany, Italy, Denmark, Sweden, Holland and Japan) have worked out extensive bilateral trade agreements with the countries of East Europe, and have lowered their tariffs and quotas to East Europe (steps that the United States has not taken). The result is that the East Europe countries are thus able to find easier markets for their goods in France, United Kingdom, West Germany, Japan, etc., than in the United States. The East Europe countries are thus able to obtain hard currencies in these same countries with which, in turn, they can turn around and purchase from these same countries heavy capital equipments including computers, and other commodities in far greater volumes than from the United States who maintains much higher tariffs against them.

Long-Term Credits.—Also, to facilitate trade with East European countries, the United Kingdom, France, etc., have made available long term credits for purchases of heavy capital equipments including computers. The result has been increased foreign trade for the countries involved, at the expense of U.S. business. CDC believes and recommends that, as soon as possible, the United States should take similar steps. The arguments are similar to those relating to the *Foreign Direct Investment Program* (pages 7-9, supra).

CDC has been repeatedly told by top political officers of several East European countries that unless and until the United States will work out trade agreements with them, and drop other discriminatory trade practices including tariffs against them, their products cannot be sold competitively in the United States, and that therefore they cannot obtain dollars with which to purchase our products. These East European officials further point out that, although they would prefer to deal with U.S. firms, they can obtain adequate products from France, United Kingdom, West Germany, Japan, etc., with the moneys and credits available. They further say that they should remain loyal to the countries with whom they have been able to work out trading agreement, vis-a-vis the United States.

They go further to say until the United States lowers its prohibitive and discriminatory tariffs against them, they will as a matter of political "necessity", maintain significantly higher tariffs vis-a-vis U.S.-made goods than they apply against goods made in the United Kingdom, France, West Germany, Japan, etc., who apply low tariffs as a part of their trade agreements. U.S.-made goods being considered for import are thus, when import tariffs are added, priced out of the market. U.S. manufacturers are thus caught in an involute cycle which will require a turn-around in U.S. policy to correct.

CDC recommends that, to correct the aforementioned problems, with their attendant trade and balance-of-trade preclusions, the United States should cease its discriminatory trade practices and tariffs against all countries, and should enter into trade agreements with as many countries as feasible. CDC believes that the United States will achieve tremendous trade and balance-of-trade and balance-of-payments benefits by being much more open-handed in its trade policies. CDC believes that, simultaneously, and as an important side effect, the United States would be the recipient of much political goodwill from the countries thus relieved of these trade discriminations.

6. Results of Kennedy Round Agreement

Following the "Kennedy Round," United States exports of computers and related components have continued to increase. CDC strongly believes and recommends that the Kennedy Round agreements should not be abrogated or diluted.

As previously cited (p. 4) the subject of computers and some other electronic components was not covered by the Kennedy Round in 1967. CDC recommends that to further expand exports of computers in the face of increasing competent competition abroad, in future negotiations the United States should press for other countries to lower their import tariffs against U.S.-made computers. Meanwhile, the United States should leave its import tariffs re computers and related components at zero, and the United States should generally reduce its tariffs on all commodities for reasons set forth elsewhere in this brief.

7. Measures Directed at Maintaining Our Favorable Balance of Trade and Other Matters Related to the Balance of Trade in the Context of Our Balance of Payments Problems

Export Controls.—Due to certain trade restrictions (export controls) imposed by the United States, computer trade will potentially be diverted to foreign coun-