Which of the several avenues of recourse that industries might have in the area of overwhelming foreign completion do you recommend as the more commonsense approach and which will have the least impact as far as our foreign trade is concerned with regard to retaliation or reciprocal action from our leading trading partners?

Mr. STEWART. Mr. Collier's bill, H.R. 17674, aside from the textile bills, as to which we take no position because of the eminence of their sponsorship and the great amount of thought the textile industry has naturally given its own problems, but as to all other industries, H.R. 17674 would have the minimum impact and generate the minimum amount of retaliation for these reasons.

First, the base period selected is a very recent period and there is not a significant rollback.

Second, the President is armed with the authority after the quotas go into effect to enter into trade agreement negotiations with the affected countries and to liberalize the quotas under guidelines.

We believe that common, hard-headed business sense enters the picture here. A country and its industry exporting to the United States would rather hold on to the business they have and provide for improving their position in the future than risk the loss of a significant amount of their business as the market grows in the future.

Therefore, we think that these countries would negotiate as they did in the long-term cotton textile arrangements instance under the auspices of GATT, and by negotiating and agreeing to a formula they dissolve their capacity or their right to retaliate.

Mr. SCHNEEBELI. Do many of our friends with whom we have a great amount of foreign trade take the import quota route? Do they use import quotas?

Mr. STEWART. Import quotas are used selectively by almost every major trading nation. They are no longer used on a broad-scale basis and, indeed, there is not the necessity for other nations to consider it in equal measure to us because we have accorded their industries access to our market.

Mr. SCHNEEBELI. On the residual list that we experience with Japan, what type of restriction is paramount in this list of 120-plus items that Japan uses?

Mr. STEWART. Japan retains the right at any time to require import licensing. The fact that they now have an open general license doesn't mean that they have forfeited the standby ability.

Second, in Japan the restriction that really works is this. If you wish to export to Japan you must find a trading company, because trade is carried on in Japan on the basis of trading companies.

The existing trading companies that have the means of distributing your products are already locked into trading products of established