tion of an import surcharge or similar restrictive measures. The British response, which I believe was helpful and constructive, was to propose no less than the completion of the Kennedy Round tariff cuts of the major trading partners of the United States by next January, four years ahead of schedule. Although in the end the proposal which was formulated by a number of other governments was less far-reaching than the British Government had suggested, the original initiative showed that the United Kingdom consistently gives priority to avoiding the creation of new barriers to trade, and that there is a readiness to make costly sacrifices for this purpose. Certainly the creation of new restrictions on trade is not justified by the conduct of the United Kingdom as a trading partner.

Some common fallacies about international trade

Certain of the arguments presented against more liberal trade have sought to give the impression that imports are always directly competitive with a domestic product and, moreover, that they are normally sold on the basis of price advantage. In the case of many items which members of the Chamber handle as importers from the United Kingdom neither of these suppositions are true. In the first place, many imports fulfill a requirement which is not sufficiently met by domestic manufacturers. They complement our own production by providing a range of choice which the American consumer wants and is entitled to have. One obvious example of this is in the case of automobiles, where the American consumer who wants a smaller car has turned to imported products to meet his need. In other cases when imports appear at first sight to be directly competitive with American production this is often found not to be so on closer analysis. To take a simple example, British woolen products provide a range of quality which is not available from any other source. In addition, far from undercutting the nearest equivalent domestic product, the British cloth is normally at least 25% more expensive. It does, however, meet a legitimate demand of some American consumers who desire this particular grade of material. In our view it would be wrong to impose restrictions on the access of the American consumer to this sort of product.

It has also been suggested that lower wage levels in other countries provide an unfair competitive advantage and justify the imposition of restrictions on imports. We do not believe that it would be right to raise barriers to the flow of goods from other countries simply on this basis. The level of wages in any country reflects the overall development of the economy: it depends on the level of productivity, which is in turn influenced by the availability of raw materials and of investment capital, the skills and quality of training of labor and managerial personnel, the degree of modernization and the utilization of advanced technological practices, etc. If a country, an industry, or a firm attempts to pay wages above the level justified by its productivity the only result is higher prices and inflation or bankruptcy. There is no prospect for most other countries to be able to pay wage rates on the same level as the United States. Does this mean we should stop accepting their products whenever they compete directly with our own? The answer surely is that we must take account of all of the factors that enter into costs of production and not allow undue emphasis to be placed on a comparison of wage rates alone. With the advantages which we have achieved in terms of technological progress, the availability of a huge unified market, a highly skilled labor force and exceptionally qualified managerial personnel we should be well able to meet competition on equal terms.

In addition, concern has been expressed over the possible effect of imports on employment opportunities in the United States. We should be just as deeply concerned about the loss of existing jobs, dependent on U.S. export trade, which would be occasioned by the inevitable defensive measures taken by foreign countries on the creation of new import barriers here. In this connection, it should be noted, for example, that the $2 billion in annual exports which we now send to the United Kingdom represent at least 200,000 jobs, spread through practically every State in the Union. We should be careful not to endanger what we presently have in terms of actual, profitable employment in our export industries, in order to avert a hypothetical threat which imports might represent to certain jobs in the future. Nor should imports be treated as a scapegoat when, under the spur of competition, job opportunities in certain industries are modified by the concentration of production in more modern and efficient plants.

The administration proposals

The Committee is, of course, wholly familiar with the trade proposals recently submitted by President Johnson, which are embodied in H.R. 17551, and we shall not belabor them. We support this legislation and, in particular: (1) extension of