

average level will be well above that of the United Kingdom. U.S. imports of chemicals from the U. K. are around \$70 million a year, and only a small part of these are bezenoids.⁶ When we take into account the existing flow of trade and the prospects for growth, the United States has an excellent bargain. Our chemical industry should be able to maintain and increase its existing large favorable balance in trade with the United Kingdom. For its part, the United Kingdom is apparently looking for an expansion of its trade in chemicals chiefly through further reduction of E.E.C. tariffs, which would follow the elimination of A.S.P. In other words, our chemical industry is to receive more than it gave up in its bargain with the U. K., with the latter receiving its principal benefits in Europe. This is, in our view, an excellent example of how multilateral trade works.

We believe that in future trade negotiations a great deal of emphasis must be placed on securing the removal of non-tariff barriers to trade such as A.S.P. This will not be easy to achieve: these barriers, which are frequently more effective than tariffs in securing immunity from competition for segments of national economies, are likely to be tenaciously defended by those who believe they benefit from them. Nevertheless there is no reason why negotiation should not succeed in removing many of the worst obstacles to the free flow of trade.

Import quota proposals pending before the committee

Finally, we wish to make a general statement regarding the various proposals for import quotas which are under the consideration of this Committee. In the view of the Chamber the imposition of quota restrictions would definitely be a retrogressive step which would damage the United States and also its trading partners in all aspects of international trade. It required an immense effort on the part of the United States Government to secure the removal of the quota restrictions which were crippling world trade in the period after the Second World War. The resulting liberalization was of great benefit both to the United States and to Europe. It is not too much to say that this was one of the major factors which enabled Europe to escape from the threat of economic paralysis and political extremism after the War and to emerge as a prosperous and independent partner of the United States. Are we now to go into reverse and to throw the world back into the tangle and chaotic web of restrictions from which we helped it to emerge?

We believe that all those who have had practical experience in attempting to conduct trade under a quota system will reject this alternative. All quota systems require an elaborate and expensive bureaucracy. The nation's resources can be spent on better things. Quotas are invariably inequitable because decisions about which exporters and which importers are to have a share can only be made on some arbitrary basis. Moreover, as soon as the market has been rigidly allocated by being artificially divided among approved suppliers, the normal laws of supply and demand can no longer operate effectively and prices are bound to rise.

One of the questions which has been raised is whether foreign countries would retaliate against quota restrictions on their trade. This is a question which can only be authoritatively answered by the governments concerned. However, it seems to the Chamber that it is fair to assume that defensive measures by other countries would be automatic. There is no reason to suppose that a massive interference with the normal flow of trade which the quota proposals now under consideration would represent, would not cause the trading partners of the United States to impose equivalent restrictions on our export trade. There are two points which are relevant here. First, the United States is the largest market in the world. In 1965 it took one-ninth of all world exports—\$21 billion out of \$186 billion. It is the No. 1 export market for many of the world's main trading countries—the United Kingdom, Canada, Japan and for Latin America and developing Asia. It is also No. 2 for Germany and Switzerland and ranks high for most of the rest. Second, we have a bilateral trade surplus with most of these countries and an overall surplus on trade. It is one thing to ask the rest of the world to acquiesce in temporary restrictions when one's exports are manifestly insufficient to pay for one's imports, but it is quite a different thing to impose restrictions when many of our trading partners already have a bilateral deficit with us and are having difficulty financing their purchases. We had practical experience of the way this works when we raised our trade

⁶ Source: U.S. Department of Commerce, Bureau of the Census; Reports: FT 125, Dec. 1963-66; FT 135, Dec. 1967.