

There has been a considerable demand on the part of U.S. industry to impose import quotas to maintain employment in U.S. industries that face increased import competition. It is my point of view that this would not maintain employment except on a very short term basis.

The import competing industries face many other problems besides import competition. They face shifts in consumer demand and shifts in competing industries. They have failed to modernize facilities sufficiently in some cases and have not developed new and improved products.

Import quotas cannot deal with these basic problems. They would tend to try to freeze the existing industrial status quo and would lead to an increase in prices.

Trade adjustment systems is a better approach.

Now, the imposition of import quotas would also be in violation of GATT, and this is a very serious matter, as well as the fact that it would lead to retaliation by foreign countries.

Also, I advocate the repeal of the ASP on chemicals and other products. This is important to get the full tariff reductions and other concessions negotiated in the Kennedy round. The repeal of ASP is important in making a start in reducing nontariff trade barriers. We cannot expect foreign countries to reduce their nontariff barriers unless we reduce some of our own.

I believe the companies would be able to adapt to repeal of the ASP. From my study, we found that many companies are concerned about a wide range of these nontariff barriers in Europe and elsewhere. They are concerned in some cases about existing import quotas in Japan, Australia, and New Zealand. They are concerned by the adjustments in Europe, border adjustments, about Government procurement practices. And they are concerned also by some removal of cartel practices.

From our study there has been a great deal of attention on the border tax issue. I believe that the GATT rules place the U.S. industry at a competitive disadvantage, because we rely primarily on corporation and income taxes, whereas, foreign countries rely more on indirect taxes.

We should make strong efforts, as I understand the Government is making, to revise the GATT rules. Future negotiations will see that nontariff barriers will play a far more important role. These foreign tariff barriers can be attacked in different ways.

Where GATT rules are violated, the United States should insist upon compliance.

In a case of border taxes, we shall try to revise the GATT rules. In the case of other types of restrictions, such as cartel practices, there is a possibility of international conventions to eliminate the harmful and disruptive effects of these private restrictive practices.

Finally, I would hope in the long run that the President has the authority to negotiate down nontariff barriers as well as tariff barriers. That is, we would try to get foreign countries to eliminate their nontariff barriers and in turn would try to reduce some of our own to encourage an expansion in world trade.

Another area of opportunity here in which we have made studies in conjunction with business companies is the whole question of East-West trade. I am just going to make a few comments on this question.