besides rising imports, including failure in some cases to modernize facilities with the latest technology, shifts in consumer demand, competition from substitutes, and inadequacies of management. Some of the other problems usually are more important than import competition.

Imposition of import quotas would compound rather than solve the basic problems of these industries. It would try to freeze the industrial structure in a rapidly changing and dynamic economy. It would reduce the incentive for the industries to modernize their plants more rapidly, develop new and improved products, and compete more aggressively. It would saddle American consumers and end use industries with higher prices for goods, materials, and components. Since such import quotas are against GATT rules, we should expect retaliation by foreign countries that would reduce our exports and lead to a decline in employment in our most efficient industries.

A study of Beatrice Vaccara made a few years ago for the Brookings Institution entitled, *Employment and Output in Protected Manufacturing Industries* showed that high tariffs could not protect employment in this country. The industries that received the most protection were also the ones that were usually characterized by the slowest growth in this country and also tended to have declining employment. Another study by Dr. Walter Salant and Beatrice Vaccara also for the Brookings Institution entitled *Import Liberalization and Employment* indicated that the effects of rising imports on employment have usually been overemphasized. Salant's and Vaccara's median estimate was that the net loss of jobs in this country would be 150,000 for every rise of a billion dollars in imports. The study pointed out that the effect of changes in technology, automation, shifts in consumer tastes, and cyclical fluctuations in the economy were much greater on employment than rising imports.

All in all considering the above aspects, I believe that trade adjustment assistance is a far more effective way of dealing with increased import competition than import quotas and higher tariffs, especially if the programs actively involve business, labor, and the local community.

*C. Repeal of American Selling Price*

The repeal of the American Selling Price is of major importance in order to obtain the full benefits of tariff reductions and other concessions of the Kennedy Round and also to make progress in the future in reducing nontariff barriers against U.S. exports. The elimination of A.S.P. on benzenoid chemicals will present problems to some producers, but most of them can adapt to it as they have been modernizing and improving their efficiency. Chemical spokesmen in my judgment have been overstating the adverse effect of the elimination of A.S.P. Those producers who would encounter serious difficulties should be able to obtain adjustment assistance. From another standpoint, the repeal of A.S.P. would enable many chemical producers to increase their exports as a result of the substantially larger reductions of tariffs. Chemical spokesmen in my judgement have tended to understate the gains from larger tariff reductions in Europe. Of course, the companies who gain from exports may not be the same ones that suffer some harm from repeal of A.S.P. However, indirect as well as direct effects should be considered from increased chemical exports and also availability of lower priced benzenoid chemical materials that are used in many chemical and pharmaceutical end use industries in this country.

Perhaps, of greater significance, very little progress can be expected in reducing nontariff barriers on U.S. exports unles the United States repeals the A.S.P. With the recent tariff reductions negotiated under the Kennedy Round being implemented over five years, nontariff barriers will become more significant restrictions to an expansion of this country's exports. Since the A.S.P. valuation procedure is essentially a protective device, is contrary to GATT regulations, and is also a method of valuation that is not acceptable internationally, the United States will not have a case for elimination of other types of nontariff barriers unless it removes this major one that foreign countries find disturbing and discriminating. In my judgement, European countries have overemphasized the importance of the repeal of the A.S.P. Finally, I would emphasize that U.S. chemical and other companies have a good deal to gain from reduction of nontariff barriers overseas. The repeal of the A.S.P. will make possible various new approaches in this direction.

*D. Border Tax Adjustments*

From discussions with international trade executives, I have found increasing concern about the impact of border tax adjustments upon the competitiveness of U.S. exports. GATT permits countries to grant rebates on exports and impose