

Furthermore, the conversion that was effected in connection with rates subject to the ASP method of evaluation because of the mixture of competitive and noncompetitive products in the basket categories contains error. For these reasons I think the United States should not accept the separate package.

I think it was agreed to under false assumptions, as were some of the other aspects of the Kennedy round. I think we should know fully what the balance-of-payments and balance-of-trade impact of this elimination would be, and thus far there have been no thorough studies cited by the negotiators office of these effects and we should not assume, despite the frequent mention that this is an opportunity for leadership, that by eliminating ASP we are suddenly going to bring on a flood of reciprocal actions in our behalf from the Europeans.

We did get some things in the way of concessions from them on condition of eliminating ASP—the other 30 percent that we should have gotten in chemicals.

We also got some concessions in the area of automobile road taxes. I have yet to hear any strong statement from the automobile people as to the great value of that particular concession.

In terms of the European willingness to cooperate with us in some of these regards, it might be noted that I believe we have been discussing border taxes with them since 1964.

Yet during the past 2 years they have succeeded in raising border taxes despite the fact that we were talking about reducing restrictions to trade.

These mistakes that I think were made during the Kennedy round were doubly unfortunate because they were made at the very time when the administration was asserting that, in order to solve our balance-of-payments difficulties, we must look for an expanded merchandise trade surplus.

I do not happen to believe that we can eliminate our balance-of-payments deficit simply through the trade account but, in view of all the difficulties we face, it is quite clear that we must take every initiative at our disposal to increase our merchandise trade surplus if we are to eliminate the overall balance-of-payments deficit.

I think we need to take very firm action in the area of tax policy to supplement our balance-of-payments efforts, particularly insofar as it can assist in trade.

Here I am not merely talking about domestic fiscal efforts for price control at home but also the application of the border tax adjustment system to those indirect taxes we already have, to a thorough examination of the extent to which direct versus indirect taxes are passed either forward or backward, to activities that can be pursued in the area of taxation of Export Trade Corporations, and Western Hemisphere Trade Corporations.

I think further that the direct foreign investment controls which are inimical to our export interests as well as our longrun balance-of-payments interests should be removed through a position incentive system.

I think the United States has got to use all available leverage including at this time the refusal to eliminate ASP and those avenues under the GATT particularly in connection with articles VI, XII, and XXIII to bring inequities to prompt negotiation and those inequities surely do exist.