

If the President's authority is to be extended, and I think it should be, then we must certainly be careful that we do not repeat the errors that were made in the Kennedy round.

Lastly, I would strongly assert that we should not resort to quotas. I think they are an admission of defeat. They invite retaliation and do little more than to preserve existing inefficiencies.

(Dr. Guenther's prepared statement follows:)

STATEMENT OF DR. HARRY P. GUENTHER, DEAN, SCHOOL OF BUSINESS
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Mr. Chairman, I am Dr. Harry P. Guenther, Associate Professor of Finance and Dean of the School of Business Administration at Georgetown University. During the past few years both as academician and consultant I have devoted my research efforts to this country's balance of payments problems including its trade policy. In these endeavors I have been fortunate not only to have been encouraged by my university in independent research, but also to have participated in a number of balance of payments studies including those conducted by the management consultant firm of Klein and Saks for the American Bankers Association, the Pharmaceutical Manufacturers Association and the Synthetic Organic Chemical Manufacturers Association, and by the International Economic Policy Association. In addition, my consulting work has given me opportunity for considerable travel and discussion abroad.

By virtue of this experience I am hopeful that I have gained some insight which may prove useful to this Committee in its trade policy deliberations and am deeply appreciative of the opportunity you have afforded me to appear today. The following testimony seeks to draw on this experience in assessing recent trade negotiations, in considering the pending issue of the elimination of American Selling Price, and in briefly sketching some of the elements which seem to me necessary in balance of payments and trade policies that will foster maximum trade benefits to the United States.

I. THE ASSUMPTION OF U.S. COMMERCIAL SUPERIORITY

The United States has for at least thirty years based its trade policy on the assumption of a pervasive superiority in commercial intercourse with the rest of the world. This same belief prevailed during the Kennedy Round tariff negotiations and needs careful examination as to validity before proceeding with consideration of the so-called separate package or with subsequent negotiations on non-tariff barriers. This matter is of legitimate concern, because even in an environment of equivalent and reciprocal bargaining, it flavors opinions on both sides regarding what kind of concessions a nation can afford to make.

A. U.S. merchandise trade—The basic data

Regularly published U.S. Department of Commerce data show a large and consistent U.S. trade surplus over the last ten years as shown below, ranging from \$1.0 billion to \$6.7 billion. This would indeed tend to support assumptions of our international commercial skills as does the growth in exports from \$16 billion to over \$30 billion.

TABLE I.—U.S. MERCHANDISE TRADE, 1958-67

(In billions of dollars)

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Exports.....	16.3	16.3	19.5	20.0	20.6	22.1	25.3	26.2	29.2	30.5
Imports.....	13.0	15.3	14.7	14.5	16.2	17.0	18.6	21.5	25.5	27.0
Balance.....	3.3	1.0	4.8	5.5	4.4	5.1	6.7	4.7	3.7	3.5

Source: U.S. Department of Commerce, "Survey of Current Business," various issues.

However, it is troublesome to note that, even using these conventionally reported figures, the trade surplus has declined in absolute terms in each of the last three years and in 1967 was the smallest amount since 1959. In per-