

4. *The costs of retrogression.*—Since 1945, American leadership in trade and monetary policy has been the principal cause of the tremendous rate of economic development in much of the modern world. Retrogression—such as introducing a system of import quotas—would be a reversal of a 20-year trend which has brought rising wealth, economic growth, and expanding world trade.

RECOMMENDATIONS

1. *Provisions of H.R. 17551, the Trade Expansion Act of 1968.*—The chamber supports provisions of H.R. 17551 which would extend, through June 30, 1970, Presidential authority to negotiate tariff reductions enabling use of the residual powers of the 1962 act. This country's ability to exercise this residual authority is essential if American business is to benefit, and be protected from actions by our trading partners during the months ahead. The chamber does not recommend authority at this time for major new tariff negotiations.

2. *Office of the Special Representative for Trade Negotiations.*—In order more effectively to carry out the above objectives the national chamber recommends that the Office of the Special Representative for Trade Negotiations be strengthened to give that agency the tools needed for the proper coordination of U.S. foreign trade policies.

3. *Adjustment assistance.*—Despite aggregate benefits to American business due to reciprocal tariff reductions, the national chamber is sympathetically aware of the likelihood that genuine instances of injury to domestic industry do arise by reason of tariff concessions. We feel that future foreign trade legislation should recognize injury better than it has in the past. We, therefore, recommend that criteria for trade adjustment assistance provisions in the existing law be changed so that producers experiencing import injury can more easily qualify for assistance during a necessary period of adjustment.

4. *Controls on direct foreign investment.*—The national chamber recommends that the mandatory controls on private direct foreign investment be terminated no later than the end of 1968. We believe these controls have a vital relationship to the foreign trade policy issues now before this committee. The chamber is concerned that the temptation to look good on the balance-of-payments accounts will cause the current investment restraints program to be continued despite the knowledge that the temporary reduction in capital outflow through these controls is achieved at the expense of repatriated earnings and of exports which are generated by investments.

Both U.S. exports and repatriated earnings, resulting from U.S. direct foreign investments, are the most promising factors in the balance-of-payments picture. The outflow from initial investments is much more than offset by the accompanying inflow from interest and dividends, royalties, and fees resulting from such foreign investments.

Gentlemen, between 1950 and 1966, for example, direct U.S. private foreign investments totaled \$39 billion—a lot of outflow. During the same period, direct foreign investments returned \$58 billion to the United States. In short, the capital outflow yielded a net balance-of-payments gain of \$19 billion (an average of approximately \$1.2 billion per annum). It seems overwhelmingly clear to us that unless these mandatory investment controls are terminated soon, a serious blow