TRADE LEGISLATION

The AMA endorses the Administration's proposals calling for—

Continuation of the Presidential "housekeeping" authority;

Improvement of the trade adjustment assistance criteria; and

It also recommends that Congress give careful consideration to the proposed repeal of the American selling price system of customs valuation.

The expiration on June 30, 1967, of the Trade Expansion Act of 1962 has placed severe limitations on the United States Government's present powers in foreign trade policy. There appears to be only a limited need at this time for major tariff negotiation authority in view of the recent completion of the GATT Round and the current study by the President's Special Representative for Trade Negotiations of the principal issues and long-term objectives of this country's foreign trade policy. While the study is being conducted, the Administration should be provided with "housekeeping" authority to cope with interim tariff changes. This authority is needed to negotiate compensatory concessions, as required under GATT rules where a negotiated tariff reduction is to be wholly or partially withdrawn, by invoking the escape clause in view of actual or threatened injury to domestic interest.

The Trade Expansion Act of 1962 recognized that existing remedies were inadequate and inappropriate when a domestic industry suffered or was threatened with serious injury as a result of a reduction in trade barriers. The Act accepted the premise that action in the national interest to expand foreign trade entailed a national responsibility to assist those who were or might be affected adversely by reduction of tariff duties. Wherever possible this responsibility was to be met in a positive way by providing producers or workers with technical and financial assistance for their adjustment to other fields. This approach was intended to spur more efficient use of domestic resources with attendant benefits for United States economic growth. It represented a marked departure from the traditional remedy of tariff increases by resort to the escape clause.

The automobile industry believes that liberalizing the applicable criteria and their administration can provide needed reassurance that tariff concessions, whether made in the GATT Round or negotiated in the future, would not suddenly be allowed to jeopardize livelihoods.

As noted previously, Belgium, France and Italy, during the recent GATT Round, agreed conditionally to a modification of their discriminatory automobile road use tax schedules, subject to the elimination by the United States of its American Selling Price (ASP) system of customs valuation. Modification of these discriminatory road taxes would benefit United States exports of automotive products. The removal of non-tariff barriers abroad will, as a practical matter, probably depend on whether the United States is able to take reciprocal action regarding non-tariff barriers to trade with this country.

If it can be demonstrated that the elimination of the ASP system would not work manifest and unfair hardship on other domestic industries—a matter which the automobile industry is not in a position to judge—we believe that the system should be eliminated.

PROBLEMS FOR FUTURE TRADE NEGOTIATIONS

While the last six GATT Rounds have made substantial progress, there is still much to be done to remove tariff and especially non-tariff impediments to world trade. The United States received substantial tariff concessions from her principal trade partners. However, at the conclusion of the staged reductions, January 1, 1972, all of the other major vehicle producing countries will have retained tariff levels substantially above those of the United States. For example, the Japanese tariff affecting most American cars will be 17.5%, which will be almost six times greater than the United States rate of 3.0% (see Table C).

Moreover, a number of specific trade impediments remain for future resolution:

A. TRUCK TARIFFS

Although the recently concluded GATT Round resulted in significant tariff cuts on assembled automobiles, it had only very limited impact on the truck tariffs of the major participants. Duty reductions for trucks were limited to light vehicles with gasoline engine capacity of less than 2.8 liters (170.9 cubic inches) or diesel engine capacity under 2.5 liters (152.6 cubic inches); for these vehicles, import duty rates will be halved by January 1, 1972.

The European Community made no tariff reductions on trucks with large engine capacity. The United Kingdom granted a slight reduction from 24%