governmental authorities resorting to quotas or other wholly artificial methods of market control.

The substantial duty reductions recently negotiated in many major overseas markets gives the impact of subsequent levies much greater importance. For these duty reductions to effect the full influence intended for freer trade, every effort should be made to reduce, as far as possible, the discriminatory aspects of border taxes, license fees, road taxes, sales or purchase taxes, as well as the great variety of less widely-used levies; as for example, the Commodity Tax in Japan and many other special ownership or use assessments.

Finally, in many developing nations, there is an understandable, if not always practical, desire to force the pace of industrialization. Many of these countries, for example, have adopted policies requiring that, over a period of time, the portion of a vehicle that is imported must be reduced and the portion manufactured locally must be increased. High tariff penalties are stipulated for those who fail to meet the schedule.

From a business point of view, these national programs have created serious questions. In many of the developing countries, the market potential is limited. The consumer could be supplied at a substantially lower cost with vehicles imported from the United States or from other national sources with a high-volume/low-cost output, than out of a relatively low-volume/high-cost local facility. With the import opportunity increasingly limited, uneconomic investment becomes the necessary method of market supply.

Each nation has the right to determine its own route to the future and those who would do business must respect that right. It should be recognized, however, that economic progress and stable growth will be impaired unless industrialization is based on sound economic principles.

INVESTMENT RESTRICTIONS

The benefits of expanding international commerce can best be realized by unrestricted movement of capital, technology, and goods. The AMA, therefore, urges the earliest discontinuation of investment restrictions wherever they exist as detrimental to the best economic interest of all the nations.

Investments of the United States automobile industry have consistently made positive contributions to the United States balance of payments and to living standards of the host countries. One reason for this is the fact that United States companies manufacturing abroad have requirements for production equipment that is often unavailable in foreign countries with low levels of technology. These requirements are often filled in the United States creating additional export volume. The introduction of this new equipment often results in a considerable upgrading of local job skills. Thus, it appears there is a need for the United States to orient its balance of payments and related investment policies to the expansion of world trade and, consequently, to the benefit of the United States economy. Whatever short-run benefit the new direct investment regulations may have on the United States balance of payments, their longer-run consequence could be to inhibit future growth of U.S. industry, both domestically and abroad, as well as to restrict growth of exports and remittances of dividends and profits. Unfortunately, these regulations come at a time when some of American industry's most formidable competition abroad is receiving capital assistance, both direct and indirect, from their governments.

ECONOMIC INTEGRATION

The AMA welcomes economic integration at any level, regional or subregional, when such integration contributes to greater economic strength and prosperity of the participating nations and is directed to an overall expansion of international trade and investment. The AMA supports the efforts of economic blocs to discourage protectionist tendencies and to expand trade multilaterally between members and non-members. Integration should help to create, not merely divert trade.

One route to economic integration is a sector approach which establishes free trade for specific industries. The United States-Canadian Automotive Products Agreement of 1965 can be considered a first step in this direction. The objective of the Agreement is to encourage the long-term growth of production and employment in both the United States and Canada by facilitating the free flow of automobiles and components between the two countries.

While United States automobile manufacturers did not initiate the negotiations which led to the conclusion of the Agreement, the industry has continued