

to cooperate with the governments of the United States and Canada in implementing the terms of the Agreement and the related legislation.

This industry supports continuation of this Agreement.

The expansion of this arrangement into other products and industrial sectors deserves study. In principle, the sector approach merits serious consideration when trade blocs find it temporarily difficult to integrate their economies entirely.

Another constructive step toward improving the conditions for growth is the negotiation of industry complementation agreements which do not restrict competition, such as those between various Latin American countries in the chemical, machinery and electronic fields, which promote effective and beneficial international specialization of labor. The results of the United States-Canadian Automotive Products Agreement should provide motivation for similar arrangements between other countries, especially those whose economic base does not lend itself to integrated large-scale production of products such as automobiles.

INTERNATIONAL MONETARY SYSTEM

The international monetary system is under unprecedented stress of declining monetary gold stock and decreased willingness to hold balances of reserve currency. The apparent desire of all member countries to increase, or at least maintain, reserve levels is incompatible with the rules of the present system and with recent reserve developments. Attempts to reduce payments deficits by major nations has developed a very real threat to progress toward freer trade and investments.

In recent years, it has been recognized that a need existed for an evolutionary reform of the international monetary system. In 1967, the member countries of the International Monetary Fund took a significant first step toward the goal of introducing a higher degree of flexibility into the international monetary system by means of Special Drawing Rights. The AMA endorses the plan to create these units for added flexibility.

Under the system currently in use, certain national currencies are considered reserve currencies and the accumulation of these reserve currencies has been a fundamental part of the western world's economic environment for a substantial period of time. Today, the countries where these reserve currencies originate are reducing their balance of payments deficits by reducing the supply of these assets beyond their national borders. A sudden sharp contraction of the supply of these currencies would entail serious economic repercussions in foreign trade flow. The economic effects of policies leading to an abrupt reduction in the supply of reserve assets can cause reduced economic growth rates, slower rates of income growth and higher levels of unemployment.

The AMA fully recognizes the benefits to trade and investment of the present international monetary system. The AMA also takes cognizance of the disadvantages that are inherent in the system and recommends discussions of methods of providing additional flexibility so as to minimize the employment and output costs of the present adjustment process.

SUMMARY

1. The AMA historically has promoted and supported efforts to expand trade among countries, in the belief that the principles of free competition and private enterprise are as valid in the world market as they are in the domestic market.
2. Primary among AMA policies is the continued support for the removal of restraints of international trade both in the tariff and non-tariff categories.
3. The industry believes that restricting the ability of the automobile industry to compete for world markets could endanger what has historically been a favorable contribution to the United States balance of payments and trade surplus.
4. The AMA seeks to obtain for its members treatment in foreign markets comparable to that accorded foreign companies in the United States.
5. Faced with increasing competition in the world market, the members of the AMA endorse the Administration's proposals calling for continuation of the Presidential "housekeeping" authority and improvement of the trade adjustment assistance criteria. Congress should also consider carefully the proposed repeal of the American Selling Price system of customs valuation.
6. Important subjects for future trade negotiations should be removal of non-tariff barriers and further reduction of tariffs, particularly truck tariffs.
7. The AMA hopes for the earliest discontinuation of investment restrictions imposed on United States firms abroad. The industry recognizes the need for