In recommending to the American public and to Congress the need to reject both a general protectionist policy and provision of relief from foreign competition to specific industries, the American Bankers Association recognizes that U.S. products do not always enjoy free access to foreign markets. For this reason it may be necessary that our trade negotiators have a free hand in considering either countervailing duties or quantitative restrictions on foreign goods for negotiating purposes. At times U.S. policy has failed to use the full power available in order to open other markets because such powers threatened the principles of free trade.

The Association believes that in cases in which we are clearly being discriminated against, our negotiators should be encouraged to employ all measures at their command to open overseas markets for American goods. We do not feel this is a basic contradiction to our overwhelming commitment to the principles of free trade.

I have been directed by the Administrative Committee to bring this statement to your attention for possible use in hearings on the subject.

Sincerely yours,

CHARLS E. WALKER,
Executive Vice President.

FIRST NATIONAL CITY BANK,
New York, N.Y., July 12, 1968.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D.C.

DEAR MR. MILLS: The hearings before your Committee on the Administration's Trade Expansion Bill and other pending trade legislation have considered a number of important questions of U.S. trade policy. I should like in this letter to offer the view of our Bank on three issues—import quotas, import surcharges, and nontariff barriers—for inclusion in the record of the hearings. May I also submit for the record an article entitled "Trade Policy at the Crossroads," which appeared in Citibank's *Monthly Economic Letter* for June.

Let me first comment on proposals for import quotas on manufactured products.

With imports growing rapidly, the rise of protectionist sentiment in some U.S. industries is understandable. But the cost of quotas to the nation would far outweigh the benefits to the protected industries. Enactment of any of the major quota bills for manufactured products would be a signal to the world that the United States had reversed course in its trade policy. Retaliation, sanctioned by the GATT rules, would be inevitable, as other governments sought to protect their trade positions and their domestic economies against the effects of our quotas. In other words, retaliation is a way by which other countries seek to maintain the status quo in trade terms. Other countries could be expected to impose quotas on those U.S. products which are the most competitive in their markets. Thus, we would be hurting our most efficient growth industries in order to give added protection to less efficient industries.

I do not, therefore, believe that protectionist quotas would improve the U.S. trade balance, as proponents sometimes claim. Quotas would be more likely to have the opposite effect, because they would raise the prices of protected products and the costs of industries using them, making our exports less competitive.

The use of import surcharges as a means of improving our trade balance also seems to me inadvisable and probably ineffective. This action, too, would invite retaliation, as it violates GATT rules. Japan and Canada, our major trading partners—also concerned about their trade balances—have let it be known that they would retaliate if the U.S. imposes an import surcharge.

The right way to improve the trade balance is the way which the Congress, under your leadership, has courageously chosen. The trade balance has deteri-