

competitive problem for the more labor-intensive industries in this country and in Western Europe. Japan, itself, maintains import quotas on some manufactured products.

Textiles and clothing are subject to high tariffs nearly everywhere. Textile tariffs were cut very little in the Kennedy Round. In Europe, textile imports are still subject to quotas and other non-tariff barriers, despite GATT rules which forbid the use of import quotas for protectionist purposes. In the case of cotton textiles and clothing, international trade is also subject to quantitative export restrictions under a multilateral agreement, the Long-Term Arrangement Regarding International Trade in Cotton Textiles, signed in 1962. Several European countries still maintain import quotas on coal, pulp, paper and aluminum, and the United States has import quotas on petroleum.

Yet, despite residual protectionism, the liberal trend in postwar U.S. trade policy seemed too well established to be reversed — until recently.

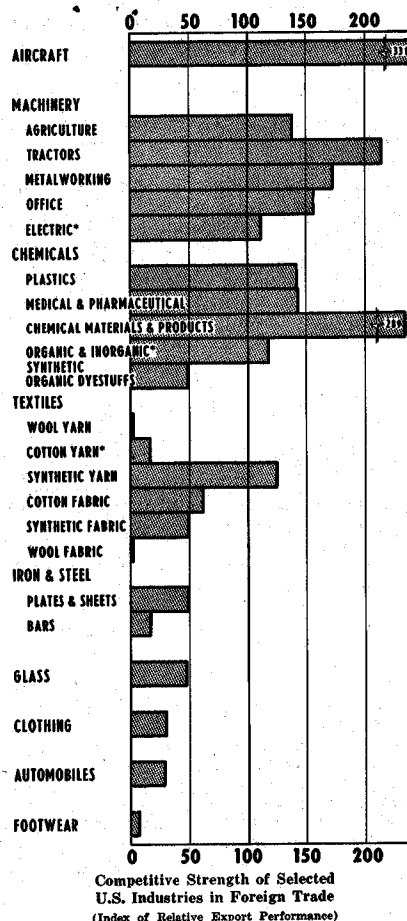
Intensified Competition

The rapid growth of industrial capacity in Continental Europe, Japan and in developing countries has intensified international competition in industrial products. Steel is an example. Until recently, world steel-making capacity outside the United States had not fully caught up with rapidly growing demand. But now there is substantial world excess capacity, which is likely to go on increasing as Japanese capacity grows and developing countries seek self-sufficiency in steel. U.S. imports of steel were negligible until 1959, and exports usually exceeded imports in value until 1963. In 1967, imports of steel mill products accounted for 12.2 per cent of domestic consumption.

In cotton textiles, too, world capacity has expanded more rapidly than demand, and developing countries have become increasingly important exporters. The latter development made the Cotton Textile Arrangement possible, for it gave Japan, which would otherwise have been the lowest cost exporter and the main target of the restrictions, an interest in signing the agreement.

The principal textile quota bill now before Congress is intended to induce European countries and Japan to accept extension of the Cotton Textile Arrangement to include woolen and man-made (synthetic) textiles. The bill reflects the fact that the consensus among the industrial countries which made agreement possible in the case of cotton textiles does not exist in the case of the other textiles.

The lowering of tariffs and the elimination by industrial countries of most import quotas on



* Arithmetic average of two classifications.

Note: The index of relative export performance measures the ratio of an industry's share of the world export market for its products to the share of all U. S. manufacturing industries in total world exports of manufactured products, in a recent period. An index greater than 100 means that the industry's share in its world export market is greater than the average share of all U. S. manufacturing industries. An industry whose index is less than 100 has a less-than-average share of the world export market.

Sources: Bela Balassa, *Trade Liberalization Among Industrial Countries* (McGraw Hill for the Council on Foreign Relations, 1967).

manufactured products has also intensified competition. Trade in manufactures has been growing more rapidly than output, indicating more intense international competition as well as grow-