counted. By the same token, we should credit the steel segment of the merchandise balance of trade with all exports of steel-making materials because foreign steel production, which may return to us as imports, or substitute for our exports, is nevertheless providing us with dollars.

Nevertheless, to focus on the steel "balance of trade" is an exercise in futility. International trade, like domestic trade, is exchange, and in the process of exchange individuals, regions, and countries trade one type of commodity or service for another. The undisclosed assumption of those who would calculate the steel "balance of trade" is that the U.S. should export at least as much steel as it imports. Applied to every commodity, this principle would lead to ridiculous results: accountants would never use physicians services, Denmark would never import cotton, and the U.S. would import no iron ore.

From the standpoint of the economy, imports and exports are indissolubly linked, because foreigners can pay for our exports only by exporting to us, over the long run, unless we give or lend them the money to pay. We benefit in real terms by allowing them to pay by imports. Hence, a "deficit" in steel can be regarded as being counterbalanced by a "surplus" in cotton, in construction machinery, or in calculators and computers. Importers of steel in the U.S. are, in effect, paying the exporters of other products. This elementary theorem of international trade is usually forgotten by groups that wish to choke off imports of competitive products. Foreigners have no way of paying for our exports to them, in the normal course of business, *except* through use of dollars obtained by exporting to us, or to some other country that has exported to us. To the extent, therefore, that our restrictive policy reduces the number of dollars paid for imports, our exports are bound to suffer. The fact that, since 1950, our merchandise trade receipts have increased from $10,117 million to $30,463 million (*Economic Report of the President*, 1968, p. 306 and *Survey of Current Business*, March 1968, p. 23) is not unrelated to the fact that our imports rose over the same period from $9,108 million to $26,980 million. Generous as the American people have been with grants and loans, we would never have supported a comparable level of exports. The exports had to be financed by imports. The alternative would have been to produce here a variety of materials that we could import more cheaply, paying by exports. Nothing in the analysis of the "steel balance of trade" can possibly upset this basic fact of economic life.

On the contrary, we must conclude that attempts, such as those currently underway, to reduce imports, can only result in hurting exports. Foreigners will have fewer dollars to buy our exports; and if the quotas on steel are "successful" there will be an immediate and parallel drop in the purchasing power available not only for U.S. agricultural and machinery products, but also for the purchase of steel products themselves! The *Staff Study* of the Senate Finance Committee was on sound ground when it concluded, with emphasis:

"*A restoration of a net export balance in steel trade* would be desirable from the point of view of the U.S. balance of payments, but it would not help either the balance of trade or the balance of payments, if a sharp cut-back in the current level of steel imports would result in an equivalent dollar amount of other U.S. merchandise exports being lost by retaliation." (p. 81)

The only point missed by the Study is that regardless of whether there is retaliation, the artificial creation of a net export balance in steel trade could not help but reduce our exports of other commodities. A corollary of the program of quotas, neglected by the steel industry, is that a "favorable' 'balance must be paid for by exports from the "deficit" country. If, somehow, imposition of quotas left by some of our customer countries with debts owing in dollars, they would be forced to export more either to the U.S. or to third countries that would have to export more to the U.S., in order to pay for our net export of steel. Consequently, some other industry in the U.S. would face an increasing volume of imports. This industry, too, might cry for help; other quotas would be introduced; and the ultimate fate of the level of international trade is not hard to imagine.

The *Staff Study* of the Finance Committee is, therefore, in error when it says, "The growing deficit in the balance of trade in steel products has not only had an adverse effect on the total merchandise balance of trade but has contributed increasingly to the persistent deficit in our balance of payments." (p. 80). As we have just seen, this characterization could be applied to *any* product which shows payments to foreigners in excess of receipts; there is no reason to single out steel. When we consider the deficit in the balance of payments as a whole, the steel deficit is trivial compared with the total out-payments for private capital investment, government loans and grants, and military expenditures. In 1967,

military expenditures totaled $4.3 billion; military grants, $.9 billion; government grants and capital outflows, $5.1 billion (*Survey of Current Business*, March 1968, pp. 17 and 23). Private capital outflows amounted to $5.4 billion. These transactions, all to a greater or lesser degree extraneous to the function of international trade, which is to improve the real income of the participants, have obviously "contributed" much more significantly to the "deficit" in the balance of payments than has the import of steel.

To emphasize the point, we might consider the fact that steel imports at attractive prices make it possible to use resources in the United States for the output of other goods and services, and at the same time enable all users of the imported steel to lower the cost of end products. All of this shift, in response to the imports, increases output and raises the real income of the economy.

The "deficit" in the balance of payments, however, is measured by the amount of claims on the U.S. held by foreigners in short-term form, plus our export of gold. If foreigners hold demand deposits in large amounts, it is not because of steel imports but rather because the government has transferred demand deposits to foreigners, or private corporations have attempted to make long-term investments overseas. The restrictions that were instituted January 1 represent a recognition that the deficit results from outflows of public and private capital, not from trade transactions. And it reflects, also, the realization that to try to restrict imports could only be self-defeating, by reducing the demand for our exports. The outflow of gold is totally unrelated to the import of steel. Foreign central banks have been attempting to build up their gold reserves in order to avoid having all their reserves in the form of short-term or long-term claims in dollar form. This reluctance to commit their fate entirely to the dollar is understandable when U.S. foreign and military commitments have been so large. The remedy is not to destroy international trade, but to cut down on the commitments, a program the Administration is now following. At the same time, the U.S. and other nations are expanding the amount and adding to the type of reserve assistance that can be made available through the IMF, thus relieving nations of the necessity of choosing between two reserve assets: gold and the dollar.

At a time like this, when international monetary cooperation is of the utmost importance, it would be doubly objectionable to have the U.S. initiate measures, illegal under GATT, for the institution of quotas. They would only provoke retaliation, damaging not only our volume of international trade and level of efficiency, but the prospects for achieving a long-run framework for international monetary cooperation.

The claim has been made by the American Iron and Steel Institute that quotas are required to preserve the steel industry for national defense purposes if the steel industry is to remain healthy and progressive. The supporters of quotas are not naive enough to insist that we are now dependent upon imports for the steel that goes into our weapons, tanks, and fighting ships. But they insist that the "health" of the steel industry is endangered by the imports; that it cannot muster the finances required to remain abreast of technological change, nor the will to devise and put them into operation. (AISI, *The Steel Import Problem*, 1967). The argument is so tortured that it is difficult to take it seriously. The U.S. steel industry was at its lethargic worst during the period when it enjoyed freedom from imports. It was during the 1950's that, secure in its domestic and foreign markets, the leaders in the industry failed to develop and install the oxygen converter and continuous casting. It was during the 1950's that it made its most egregious and costly financial errors.

Today, by contrast, under the threat and constant spur of imports, the industry has begun to revise its pricing practices, and is on the road to replacing the open hearth with up-to-date BOFs. In the interest of national defense, therefore, it is important to remove restrictions on steel innovation-stimulating imports, not to intensify them. Buy American laws should be repealed, not buttressed by quotas.

If the thesis of the steel industry were correct, periods of high levels of imports into the United States would be accompanied by unemployment at the lowest peace-time level in our history. In these circumstances, with our major problem inflation, it is most disturbing that, in order to protect their monopoly position, some industries should press for quotas that can only intensify the cost-push element in our economy, further disturb our export markets, and hence adversely affect our balance of payments.

The CHAIRMAN. We thank you again, the three of you, for bringing this information to the committee. I am sure it will be helpful to us.

Are there any questions?

Mr. BURKE. I would just like to ask how long it took to prepare all these statistics that you have here?

Dr. ADAMS. For the information of the committee, we have taken a long-term interest in this problem because the problem is not new and the problem will be with us for sometime to come.

The Program on Industrial Structures in the Atlantic Community, of which I am a director, is engaged in continuing studies on this subject and when Chairman Mills announced the hearings we collected some of the material from our files to make them available for this committee at this time.

You might say this is in the nature of a progress report by the program at Michigan State.

Professor Dirlam of Rhode Island, of course, is my constant collaborator.

Mr. BURKE. I would just like to say I am going to take it home with me over the weekend and hope I will be able to digest part of it.

Dr. ADAMS. You have my best wishes, sir, in that enterprize.

The CHAIRMAN. Any further questions?

If not, again we thank you.

Dr. ADAMS. Thank you, Mr. Chairman.

Dr. DIRLAM. It is a pleasure to be here.

The CHAIRMAN. That completes the calendar today except for the mayor of the city of Newark, who is evidently not present, and Mr. Collingwood J. Harris, the Chairman of Countersurge. Mr. Harris?

Without objection these two gentlemen may extend their remarks in the record of the hearing.

(The following statement of Hon. Hugh Addonizio, mayor of Newark, N.J., was received for the record:)

STATEMENT OF HUGH ADDONIZIO, MAYOR, NEWARK, N.J.

I am submitting the following statement to the House Committee on Ways and Means out of my profound concern for the consequences of U.S. foreign trade policy on the future of the city of which I am the chief executive and other cities in a similar economic and social position in the United States.

The major and crucial point I wish to emphasize to the Chairman of the Committee and his colleagues is the direct and positive relationship between foreign trade and the social and economic future of our city. The Committee is aware that events of the past two years have raised questions of profound importance to urban life. All of us who are charged with the responsibility of city administration have felt it essential that we seek the roots of our difficulties, that we probe deeply for underlying causes. It is in the context of such inquiry that I address myself to the Committee's consideration of U.S. foreign trade policy.

I submit to you, gentlemen, that one of the most vital aspects of the problem is employment opportunity. We cannot have progress and social development in the face of unemployment or the threat of unemployment. The Committee is aware of the facts cited in the Kerner Commission Report. The disparities in relative employment levels among various socio-economic groupings of our population throw significant light on the causes of unrest. Denial of employment opportunity is a barrier to hope and aspiration. Human Beings inevitably sink into the morass of despair when the road to achievement and self-betterment is blocked by the absence of jobs.

The City of Newark is in many respects an illuminating cross-section of Aemrica. Much of our economic enterprise reflects the technological advancement of modern industry and business. But, the highly sophisticated sectors of our industrial and business life, cannot be the sole and sufficient pillar of employment. It is my conclusion that no economy can be genuinely viable if it does not provide jobs represented by high labor intensity industries. We must have an employment potential for unskilled and semi-skilled people. These are the jobs which are the stepping stones to individual self-sufficiency. These are the jobs which are identified with the American tradition of initiative and progress.

I am here to ask you, to urge Congress, to protect the jobs without which our problems cannot be solved. In our opinion the position of the U.S. with respect to foreign trade policy has and can have crucial consequences. We have noted in the recent past the enormous increase of many imported products, the very kinds of goods which can provide an employment base for semi-skilled and unskilled workers. We are troubled by the implications in the statistics of foreign trade because if this trend continues unchecked our difficulties must increase.

As the head of our city's government I know only too well that the forces of market competition compel manufacturing industry to seek lower labor cost resources. That has happened within the United States. It was marked by the migration of industry from area to area before a national mandated minimum wage structure created a uniform foundation. The same process is going on now in an international sense and we, the United States, are suffering in two ways. First, manufacturing volume in various high labor intensity industries has been curtailed by the competition of cheaper foreign goods. Second, the potential for growth by industry has been arrested so that job opportunity cannot keep pace with population gain. What manufacturer would invest in new or greater plant capacity when foreign competition has already proven devastating to existing facilities?

Industries such as textiles, apparel, shoes, leather and small leather goods have begun to wither on the vine in the city of Newark. I have no doubt that a very similar condition exists in many other areas of the country. We are now importing more than 30% of our domestic shoe production, and that level has been reached in less than ten years. Our leather tanners in Newark have been hurt thereby. Expansion and the employment of all labor is far from their minds at present. They are concerned with their survival.

We are not here to engage in traditionl tariff controversy. In our judgment the day is past when tariff measures could be responsive to the situation we face. In our considered opinion the defense of vital job opportunity within the United States urgently requires measures to keep imports within reason. The flow must be monitored for the sake of millions of Americans who need opportunity in high labor intensity industry. Our country cannot remain passive in the face of a serious threat. I do not refer here merely to all the known facts of our balance of payments which are so familiar to this Committee. I speak of jobs and the disastrous chain of consequences which flow from loss of job opportunity.

In recognition of the facts which have been called so dramatically to our attention in recent months the Council of the City of Newark has adopted several resolutions and memorials to Congress. I take the liberty of reading one:

"RESOLVED: It is the urgent sense of this body that prompt action must be taken by the U.S. Government to impose reasonable restraints on imports of leather, shoes and leather goods. Tremendous imports of such merchandise are a clear and immediate threat to employment in the City of Newark. The City Council of Newark recognizes that jobs for the under-privileged are the vital key to civil peace and progress. Loss of job opportunity as a result of the present tidal wave of imports of leather, shoes and leather products would aggravate immeasurably the potential problems confronting Newark. Therefore, action is imperative to stabilize imports at reasonable levels and thereby prevent irreparable damage to the economic and social structure of our city."

We look to your body for positive leadership in a grave and critical situation. The Congress must, of course, be concerned with every phase of our international relations. None is more important at this juncture for our national life than the preservation of jobs at home.

We do not seek to deprive other nations of economic advancement. It is our conviction that reasonable import restraints will aid others as well as ourselves. An economically healthy America will have the resources to continue leading the world. Liberal, but sensible, import restraints to prevent decay of important parts of American industry are of vital importance for our future economic health and for the future of our cities such as Newark.

The CHAIRMAN. That completes the calendar for today.

Without objection the committee adjourns until 10 o'clock Monday morning.

(Whereupon, at 12:50 p.m., the committee adjourned, to reconvene at 10 a.m., Monday, June 17, 1968.)

FOREIGN TRADE AND TARIFF PROPOSALS

MONDAY, JUNE 17, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witness this morning is our colleague from North Carolina, Hon. Basil L. Whitener. Is Mr. Whitener present?

Our next witness is also from North Carolina, Hon. James T. Broyhill. Mr. Broyhill, we appreciate your being with us this morning and you are recognized, sir.

STATEMENT OF HON. JAMES T. BROYHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. BROYHILL. Thank you. Mr. Chairman and members of the committee, I very much appreciate the opportunity to offer testimony this morning on the question of U.S. trade policy. In my opinion, the deliberations of this committee will have far-reaching consequences for the economic welfare of the Nation.

I should like to say at the beginning of these remarks that there is a regrettable tendency in discussing international trade policies to oversimplify the very complex arguments and to categorize those participating in the discussion as "free traders" or "protectionists." Oversimplification or name calling, however, only damages a sincere and reasonable consideration of the issues involved here.

There is no question that international trade is essential to the American economy. The exchange of goods among the nations of the world is equally essential for stable and harmonious relations. These are basic facts which any consideration of trade policy must accept at the outset of the discussion. Our problem is to assure that we formulate trade policies which will stimulate international commerce in an orderly and equitable way. There is ample evidence, I believe, that we have failed to develop such policies and we are beginning to see the serious consequences of this failure.

For 20 years, we have assisted both the reconstruction of the war-destroyed economies of other nations and have assisted scores of countries, old and new, in building stronger economic bases. In this process, we have opened our domestic market to encourage imports on an unprecedented scale. At the same time, we have not reacted to the

barriers to trade other nations have erected. Certainly, the emergency conditions which brought about the uncritical attitude on the part of the United States no longer exist and it is time that we develop a more realistic posture. We can no longer afford to say, as I believe we have indicated in effect, that we will be willing to lower our tariffs only on the promise that other nations will not raise their barriers against our products.

In North Carolina, we have several major industries which are in various stages of difficulty because of present trade policies. Certainly, the textile industry is a major factor in our State and it is obvious now that serious problems are ahead for that industry if present trends continue. We need only to look at what is happening in our own marketplace.

In 1967, imports of cotton, wool, and manmade fiber textile products amounted to about 2.6 billion square yards or 10.1 percent of the U.S. market. This compares with an import penetration of 6.2 percent in 1961, indicating the very large increases in textile imports today.

As the committee is aware, there is in existence an international cotton textile trade arrangement, which is supposed to provide some measure of control over imports. Negotiated in 1961, it was extended during the Kennedy round negotiations to 1970. The arrangement does not provide for absolute import quotas.

As it has developed, cotton textile imports have risen from 720 million square yards in 1961 to 1.5 billion square yards in 1967.

No restraints of any sort exist on manmade fiber or wool textiles. Wool textile imports now account for over 22 percent of the U.S. market, while manmade fiber textile imports rose from 151 million square yards in 1961 to 933 million in 1967.

For the first 4 months of 1968, total textile imports were 1,055,600,000 equivalent square yards—a record for any 4-month period. Should they continue at this rate, textile imports in 1968 would reach almost 3.2 billion square yards. The previous import record, set in 1966, was 2.8 billion square yards.

All indications, therefore, are that without Government action to restrain the growth of textile imports, they will continue to increase, undermining a basic U.S. industry.

The textile industry has plants in 42 States, employing 950,000 people on a payroll of $4.5 billion. The apparel industry employs 1.4 million people in every State at more than $5 billion annually. Manmade fiber producing involves some 90,000 employees who are paid almost $650 million.

Textile, apparel, and manmade fiber employment account for one out of nine U.S. manufacturing jobs. This complex supplies 27 percent of all manufacturing jobs in the Appalachian region where the Government is trying to encourage industrial development.

In the State of North Carolina, the textile industry is the leading manufacturing employer. Textiles alone, employing almost 265,000 people, account for 43 percent of industrial employment in North Carolina, with an annual payroll of almost $1.2 billion. The State's more than 1,000 textile plants produce almost one-fourth of all broad-woven cotton goods in America; more than one-third of all manmade fiber fabric; almost 10 percent of the woolen and worsted goods; and nearly one-half of all cotton sales yarn.

The textile industry is unusually vulnerable to imports. The industry, worldwide, is largely labor intensive; textile fibers are abundantly available throughout the world and at a cost no higher, but often lower, than in the United States; per unit transportation costs are low and promise to decline further; textile technology is so widely known that no offsetting productivity advantage accrues to the United States; equipment can be used to produce textiles of various fibers, constructions, and styles; relatively low capital requirements mean that the industry is marked by ease of entry and geographic dispersion; intense price competition characterizes the U.S. textile market and changes in the price of one product or construction frequently affect the prices of others; textile products are standard and interchangeable; and the physical resources of the industry cannot easily be shifted to other industrial uses.

These characteristics have led to the adoption of quantitative restraints on imports by many industrialized countries as the only answer to the import problem. Because of the all-fiber limitations applied by other countries, cartelization of foreign textile industries, and subsidization by many foreign governments of their textile exports, the U.S. market has received a disproportionate share of imports from low-wage countries. The United States, of all developed countries, perhaps has the most liberal textile trade policy. However, Government action is required on a multifiber basis if we are to meet this problem.

The volume, trend, and diversity of textile imports, if continued, will drastically alter the future shape and structure of the U.S. textile industry. If present policies continue, the management of the industry will be faced with the decision of whether to participate in the import business or face continuing erosion. Either would have devastating effects upon employment, wages, and the economy of the areas affected, as well as our national economy.

The industry does want to move abroad, either through the establishment of overseas facilities or by importing yarn and cloth. But unless there are reasonable restraints on the growth of imports, competition may force such considerations. Already several major apparel manufacturers are exploring the feasibility of moving their productive operations abroad.

The solution to the import problem is to be found in the legislation pending in the Congress and sponsored by more than 250 Members of the House and Senate. These bills contemplate international agreements which would give foreign producers a share of the U.S. market based on the highest levels of imports which they have enjoyed so far, plus participation in market growth. This kind of development of our domestic market would provide an orderly process which would deal fairly with all producers, domestic and foreign.

Although the textile industry is of paramount concern in North Carolina, we also see problems involving steel imports and huge increases in shoes imports. In our State, we have shoe producers in a number of communities where great economic hardship would result if these factories cutback their production further. The import threat has reached serious proportions. Imported footwear, for instance, accounted for 14.9 percent of the market in the United States in 1966.

However, this figure grew to 21.4 percent of the market during 1967, and the rate it known to be increasing in the current year.

Obviously, we cannot go on sacrificing industries and the productive capacity of the Nation in the name of expedience to foreign policy. Also, the mechanism in the present Trade Agreements Act whereby an industry can seek relief from damages is cumbersome and ineffective. We need a more flexible procedure for the satisfactory proof of damage than we now have available to American industry. And most of all, we need to recognize the immense advantages foreign products receive as a result of the encouragement of exports by their governments. This fact, plus the imposition of border taxes and other levies against U.S. products by many countries abroad must not be ignored any longer.

It is my sincere hope that the committee will favorably consider import quota legislation which I and many other Members of the House have offered. I wish to recommend, also, that methods be explored to change our tax structure so that exports will be encouraged and U.S. products can be made more competitive abroad.

It is urgent that these questions be given attention in depth if we are to deal fairly with our domestic industries and increase the exportation of American products. Both are essential for the economic well-being of the Nation.

Again, let me assure you that I appreciate this opportunity of appearing at this time.

The CHAIRMAN. We appreciate your bringing to us your thoughts, Mr. Broyhill.

The next witness is our colleague from Utah, the Honorable Laurence J. Burton. Mr. Burton, we appreciate having you with us and you are recognized.

STATEMENT OF HON. LAURENCE J. BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. BURTON. Thank you, Mr. Chairman. My timing was perfect on that, I think.

It is my strong belief that there is an urgent need for passage of import quota legislation. I am grateful to you, Mr. Chairman, and to the committee for holding these hearings and making it possible for this important subject to be carefully and fully considered.

I represent a district that is partly urban, partly rural in makeup. A great segment of the economy of the district is dependent upon agriculture. Cattle and sheep raising are particularly important industries there. Fur breeding is also a prominent agricultural enterprise in the district. But the district has a large and growing industrial and manufacturing base, too. The Geneva works of United States Steel is located there, an employer of some 5,000 people. The mining industry is another substantial employer in the area.

All of these industries—livestock raising and the textile industry which is related to it, dairying, fur breeding, breeding, mining, and steel manufacturing—are finding it difficult to remain strong and healthy in the face of competition from foreign-made goods that are allowed to enter this country in great numbers.

Take, for example, the situation with respect to the steel industry. While the demand for iron and steel mill products is rising in this country, domestic producers are losing ground, percentage-wise, compared to foreign producers. This alarming trend is of fairly recent origin, but can be expected to worsen if we fail to tackle the problem soon.

Ten years ago, for example, this country's steel imports were roughly equal to exports. Since then, a serious gap has developed as imports have risen to more than 10 million tons while exports remain at about 2 million tons. The most disturbing jump has occurred in the past 3 years. In 1964, the import-export deficit was about 3 million tons. Today, the trade gap stands at 9 million tons—a threefold increase.

Obviously, this runaway trend must be halted, and the sooner the better. Cheaper labor costs and increasing technology of foreign producers are significant factors giving other countries a price advantage over domestic producers.

And what applies to the steel industry applies to the others I have mentioned. In recent months I have visited with many mink ranchers in my State, and some from other States, as well, who simply are backed up to the wall economically. They need help. And they need it from the Congress and the administration. Either they get it or, as Mr. Ralph E. Westwood, a prominent mink rancher and president of Emba Mink Breeders Association says, "* * * there will be no mink ranching business in the United States." Mr. Westwood, I believe, is scheduled to testify before this committee at these hearings, if he has not done so already.

While import quotas and trade barriers may be anathema to some, I must say that I prefer them to the present alternative: that of forcing our own people out of business and into financial ruin. For my part, I think it is time that we begin concerning ourselves first with conditions here at home; and secondly with the welfare of our foreign competitors. I am not opposed to helping stabilize the economies of other peoples in other lands. I believe that we should, insofar as practicable, do what we can to help them. For in so doing, we help not only them but ourselves as well. But we have got to realize that there is no wisdom in helping others if we destroy our own people in the process—and this, in some instances, is what we are doing. Our aim should be to strike a happy balance between our own self-interest and that of our neighbors. But I submit that under present policy there is little or no balance at all.

Our dairy people, our livestock raisers, the lead and zinc industry, and our textile manufacturers, like the steel and mink people, also suffer from an overdose of foreign competition. To correct this situation I have introduced a number of bills. I refer specifically to H.R. 54 relating to lead-zinc import quotas, H.R. 7573 on dairy imports, H.R. 9375 dealing with meat imports, H.R. 11745 on textiles, H.R. 14089 on steel imports, and H.R. 10422 to establish mink import quotas. In addition, I fully support other bills of a similar vein introduced in both Houses and sponsored by many Members of both parties which are designed to lend help to our American producers in this critical time. There is no need for me to go into each of these areas in detail because expert witnesses for all of the concerned industries have or will appear at these hearings.

Let me conclude by saying that none of these bills is radical in nature. None wants to build high protective tariff walls that completely shut out foreign goods. There have been statements made that to set up quotas on imports would be to return to the days of high tariff and unreasonable protection. This simply is not so. Anyone who will take the time to study these bills will find that they are modest in approach and reasonable in spirit and tone.

Again I urge that favorable and speedy action be taken on these items. I hope that your committee will give serious consideration to this legislation.

Thank you very much.

The CHAIRMAN. We thank you, Mr. Burton, for bringing to us your thoughts. Are there any questions?

Thank you, sir.

Mr. BURTON. Thank you.

The CHAIRMAN. The next witness is the Honorable Bob Eckhardt, our colleague from Texas.

We appreciate having you with us this morning, and you are recognized.

STATEMENT OF HON. BOB ECKHARDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. ECKHARDT. Thank you, sir; I wish to thank the committee for this opportunity to present my views on tariff and trade proposals. I will try to be brief and concise. There are three points I would like to make:

(1) The most beneficial international economic policy for the United States is essentially one of free trade;

(2) As a Representative from the Houston port area, I feel that my constituents would have much to lose if a wall of protectionism arose around our country; and

(3) I support the President in his call for the elimination of the American selling price system.

There has been increasing discussion and support in the halls of Congress for general and specific increases in quota restrictions on foreign imports. There are two reasons given to justify stiffer trade barriers, first, that such is a broad economic prescription to cure our balance-of-payments difficulties, and second, that we should give relief to specific industries under pressure from rising imports. I wish to challenge both of these arguments; they are fallacious. Protective measures will do more to aggravate the situation than to help it.

One must keep in mind, in a discussion like this, the distinction between the balance of payments and the balance of trade. The balance of payments is made up, basically, of two separate categories; the balance of trade, which is the actual flow of goods and services, and the capital account, which includes the flow of investments and Government transactions—loans, foreign aid, military expenditures, and so forth. Until very recently, the balance of trade has always been well in our favor. The drastic reduction in our trade surplus is primarily due to the excessive aggregate demand of our economy. There has been an almost incredible rise in imports due to this inflation. If Congress passes the fiscal restraint measures presently pending, the flow of imports should return to normal.

The protectionist does not see it this way. He reasons that by cutting down on foreign imports, our balance-of-trade surplus will increase and this in turn will reduce the balance-of-payments deficit. Rather than pursuing a course of trade expansion and liberalization, he seeks a curtailment. Rather than expanding the flow of goods, services, and international goodwill, he seeks the easy way out.

The basic flaw in the protectionist's reasoning is this: While imports to this Nation will be reduced by the stiffer quotas, American exports will similarly decline. There is no doubt that other nations, whose economies would suffer due to the reduction of the American market for their goods, would retaliate.

Now we must consider for a moment our trade posture now, as compared to that in a more normal economic environment. Over the last several years—before we unduly procrastinated in levying a tax to stave off inflation—we had a trade surplus that ran around $4.5 billion, more or less, over a number of years.

Now, because of the abnormally inflated prices of American goods subject to foreign trade, our trading partners are doing no more than swapping even. They can afford to buy only about the same value of goods as they sell. Now suppose we enact trade restrictions against their products at a time when our products are most dear. It is quite reasonable, if not absolutely necessary on their part, to quit buying expensive American goods and start making it themselves. Thus, our exports, already diminished, reduce to an absolute minimum.

Then, when we enact the necessary fiscal restraints to restore the value of the dollar, we find ourselves in a world market in which the economies of other nations have been geared to be more self-sustaining. Obviously, we have much more to lose then—than our trading partners do—because, normally, we export goods valued at about $4½ billion more than the value of the goods we import.

Thus, if our trading partners retaliate by a percentage cut in their normal level of imports equal to our percentage cut in our imports, we come out the big loser. Therefore, there is no question but that, in the long run, restrictive import quotas would hurt, not help, our international accounts difficulties.

Now, why did we become the most advantageously situated trading Nation during most of this decade? By being in the forefront of the march toward liberalizing international trade. We inspired the most favored nation clause of the early tariff reductions of the 1930's, we were the inspiration behind GATT, it was an American President for whom the most recent round of tariff reductions was named, all postwar and recent international economic cooperation arises from American indealism. Thus, the mere talk of protectionism turns those who, through our quest for liberal free trade, became dependent upon our markets into cynics instead of good customers. Protectionism is a repudiation of all our free trade ideals.

Furthermore, quotas are nearly always arbitrary and discriminatory Under either a base period or first-come, first-served basis, some nations are singled out to come under stricter quotas. Those penalized will take this action as an indication of the arbitrariness of the American foreign policy.

Also, free trade is a hedge against inflation. The segment of our society which has the most to lose if the protectionists have their way is

the average consumer. Were import quotas made more restrictive, and hence conditions made less competitive for American businessmen, there would be less pressure on prices. Less competition and a reduced supply of goods are concomitants of high prices. Competition from abroad forces American industry to innovate more and to become more efficient. Foreign trade broadens the spectrum and variety of goods available, lowers prices, and stretches the wage earner's pay. It can be seen, then, that the primary benefactor of free trade is the American consumer, which is to say, the American people at large. Whatever short-run gains a particular interest group might gain from a protectionist policy is thus at the expense of the American people.

What about the effects on the business sector? The protectionist emphasizes only the negative effects of international trade. Certainly one cannot dispute that some businesses and their workers are subject to disruption as a consequence of competition from abroad. But, because of vast superiority in technology, education, productivity, and geographic advantages, when we choose to produce that which we can produce cheapest and best, we are not very much limited. If, through advancing technology and greater efficiency, domestic producers still cannot meet the foreign prices, perhaps we must admit to ourselves that there are certain areas in which other nations are better qualified. We can sell the goods which a more sophisticated technology can produce cheapest and buy certain cheap consumer goods, component parts, and ingredients for manufacture from other countries with less sophisticated economies and be the net gainer.

Free trade, it can be seen, has a two-sided effect on the business sector and employment. The Government does have an obligation to those establishments and employees for whom trade has a detrimental effect. I applaud the President for his recommendations on adjustment assistance to firms and workers. We must not overlook the fact, however, that trade can stimulate an otherwise lethargic firm or industry to action that might expand production and employment.

The absence of restraints on trade has possibly a greater effect on the positive side. A movement toward more liberalism will benefit all those industries and firms that have foreign markets. According to a recent Government report, employment in the United States related to exports of goods increased by nearly 4 percent, or by 91,000, between 1960 and 1965. In 1965, an estimated 2.4 million jobs were attributable to exports of merchandise and another half million to exports of services. (Monthly Labor Review, December 1967.) This does not include all of the indirect, supporting employment. If we follow a course of protectionism, which would undoubtedly be followed by retaliation abroad, what would happen to these people? I believe we have more to gain by promoting trade expansion and depending on American competitiveness to bring about a huge net gain in terms of profits and employment. I offer as a suggestion to the distinguished members of the committee the possibility of some formal, semiformal, or even moral arrangement whereby those industries greatly benefiting by the expansion of international trade would be obligated to rely for all additional employment on the rolls of those workers adversely affected by same. For instance, a foundry worker laid off by a

steel company would be a prime candidate for employment by a machinery firm enjoying an expanding export business.

I conclude this section by saying that legislation to reverse the course we have taken toward free trade is bad economics, bad foreign policy, and is bad for the people. I suggest to the committee that, when its ramifications are understood, it is bad politics.

Now, let me turn for a moment to application of these principles to my own district. Harris County, and particularly my district, is virtually the heart of the transportation system of that area of the Southwest.

As a matter of fact, the Houston ship channel wholly lies in my district.

If we look solely to the Houston area, the case is overwhelmingly against restriction of imports. For the year 1967, about $0.59 billion worth of imports were imported through Houston as opposed to $1.36 billion exported through the port. It is easily seen that the people in my district have far more to lose in terms of profits and employment from trade restrictions than could possibly be gained. Import quotas would have a disastrous effect on the many longshoremen, seamen, masters, mates, and pilots who live and work in my district. The entire community of Houston-Harris County is benefited: laborers, railroadmen, chemical and oil workers, bankers, port officials, and all others related to commerce. In addition, professional men, such as lawyers processing the claims of the waterfront people; the industrial workers, manufacturing the goods that flow through the port; accountants, servicing the stevedoring firms; and hence, indirectly, every person living or working in the area, enjoy the fruits of free trade.

In 1966, a total of $416.3 million worth of exports were manufactured in Houston, primarily food products, chemicals, petroleum and coal products, crude and fabricated metal products, and machinery. The total employment in these particular industries is about 91,000. An estimate of the number of these people whose jobs are directly attributable to exports is nearly 70,000. This is in addition to all those mentioned above whose jobs are in the actual trade aspect of the flow of goods and services through Houston. Thus, about 20 percent or more of the total employment in my district would be jeopardized if the protectionists have their way.

The last point I would like to make is in support of the elimination of the American selling price system. If we were to ignore all other reasons for doing so, we would still be compelled to do away with ASP solely to help elicit the cooperation of our friends abroad in speeding up their Kennedy round tariff reductions. The concessions thus gained will far outweigh any possible disadvantages arising from the repeal of ASP. But aside from that, the fact remains that the industries protected by ASP no longer need the extent of protection which it affords. The rates are extraordinarily high and not in keeping with the spirit of growing international trade and cooperation. The American manufacturer has an almost unheard of advantage in being able to set his prices and having the tariff on competing goods follow from it. It should be noted that the industries covered by ASP are very healthy and growing. Profits and investment are high, and employment is largely unaffected by imports as many of the benzenoid products are

produced only for internal use. One must also question the necessity of ASP when, in 1964, $300 million of benzenoid products were exported as opposed to $50 million worth of imports, of which half did not compete with any American-made product. Protective tariffs for the affected industries will not be eliminated entirely, rather just brought in line with the rest of the U.S. tariff schedule.

I subscribe to the old adage, "No man is an island"—neither is a nation, today. We abandoned the policy of isolationism a half century ago; America must not become an island unto itself. Our country and its people deserve the benefits of the free intercourse of goods, services, and ideas among nations.

Primarily, I desire to come before this committee because I understand that in the legislative process there is sometimes a tendency to listen to those who have the intense immediate interest and a long memory rather than to be quite as concerned with a broad base of persons and of industry which depends much more realistically upon this import-export trade.

Of course I understand, at a time when balance of payments is very much on the negative side and even balance of trade is now on a more or less swap-out basis, practically even, with respect to exports and imports, that there is of course a tremendous temptation to do something in the direction of protectionism. But I wish to urge upon the committee what I believe to be the interest of my district and of the Nation and that is that merely because at the present time with the increase of imports and the depression on exports caused by the present inflationary situation, merely because this adverse balance exists now does not mean that to restrict imports is going to improve the total situation.

I think we must look at what has been the normal situation over most of this decade, particularly around the midpoint of the decade when our balance of trade has fluctuated around a $4½ billion favorable balance.

If we should reduce our imports by some quota arrangement, or by certain types of tariffs at this time, we certainly can immediately expect the same action on the part of our trading partners elsewhere because we have been the leaders in free trade.

We have been the leaders in the Kennedy round of reduction of tariffs, and we have been greatly the beneficiary of that process.

Therefore, if we reverse the picture particularly at a time when our exports are dear and at a time when retaliation would be quite easy and would probably be rather permanent, because the industry of other nations would be geared, of course, then, to a kind of a self-sustaining balance which might ultimately close the door to exports for a long time in the future, we would be reducing our advantage in exports much more than we would be increasing our advantage with respect to manufacturing in this country as against concerns which import in the Nation.

For this reason it appears to me that once this door is open and then we change the direction from free trade toward protectionism, we will have greatly injured our presently healthy developments with respect to free trade, and I think that that would be very disastrously reflected in the Harris County and Houston area.

I thank the chairman.

The CHAIRMAN. Thank you, Mr. Eckhardt, for bringing to us your views this morning. Are there any questions?

Thank you, sir.

Mr. ECKHARDT. Thank you, sir.

The CHAIRMAN. Our colleague from Wisconsin, Mr. Schadeberg, is our next witness. We appreciate having you with us this morning, and you are recognized.

STATEMENT OF HON. HENRY C. SCHADEBERG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. SCHADEBERG. Mr. Chairman, it is a privilege for me to have an opportunity to present to you my views on the subject of trade and tariffs, and I appreciate your courtesy in receiving them.

I would like to bring to your attention at this time the particular interests of the residents of my district in Wisconsin, interests which, I am sure, are representative of many parts of this country. The First District of Wisconsin is a microcosm of the United States. It includes two large cities with populations over 50,000, with all the diverse urban interests and problems of large cities throughout the country. It embraces some 50 smaller cities and towns with their attendant needs. Among its citizens can be numbered factory workers, salesmen, doctors, journalists, farmers, small businessmen, truckdrivers, bankers, mink ranchers, druggists, college professors, secretaries, skilled and unskilled craftsmen—a real cross section of American life.

Of crucial interest to these people are their incomes and their jobs. It is not necessary to point out to you the diminishing purchasing power of the dollar. Coupled with this in many parts of my district is a radical decline in farm and business incomes which affects not only the farm operator or the business owner but his family and employees as well. Its far-reaching effects go out to the business community as a whole which finds business activity slowed down as customers have less and less money to spend. I would like to stress for you the unique difficulties faced by two separate groups, the dairy farmers and the mink ranchers. In both cases their plights are related directly to a continuing and increasing volume of imports which compete with domestically produced goods.

Wisconsin is the heartland of the United States, the Dairy State. Farmers comprise a hearty segment of its population, and dairy farmers a goodly portion of these. Yet, in growing numbers, dairy farmers are going out of business in Wisconsin. We may place the blame validly for this trend on any or all of a number of factors, but one overriding reason stands out—dairy farms would not be in such a precarious position today if it were not for the continuing importation of unnecessarily large amounts of dairy products. Many of these goods from abroad can be shipped, distributed, and sold in this country for less than the American farmer can market them. They cut directly into his sales and threaten his business viability. If this were mere product competition, one would tend to say, "Let it be resolved at the marketplace." This is not the case. Our farmers are not able to compete with state-owned farms, cheap labor, low-priced or subsidized cattle feed and farm equipment.

These economic facts of life are equally applicable in the case of mink imports. The American mink industry is in a state of crisis. The Tariff Commission report on this problem reveals that imported mink claims 53 percent of the American mink market, an increase of 11 percent since 1957. Mink ranchers are going out of business by the hundreds, yet relief is not in sight. As with dairy products, foreign mink skins, principally from the Scandinavian countries, can be shipped, marketed, and sold in this country for less than the American mink rancher can market them. Government policy appears to place more emphasis on retaining a favorable image abroad than on encouraging its own citizens and businessmen at home.

Trade is a two-way street, and our trade balance is of extreme importance in our position as an international power. It is recognized that the U.S. share of world markets has been shrinking while other countries in the world have expanded their exports more than twice as rapidly as we. And we are absorbing many of these foreign exports—at the expense of our own business community. Must U.S. producers suffer financial losses or even go out of business completely for the purpose of being a "good neighbor" to the rest of the world? It would appear so, from the recent testimony of administration officials before this committee on this subject.

Along with many of my colleagues, I have sponsored legislation to stem the tide of excessive imports. Of particular interest are H.R. 7479, the dairy import bill, H.R. 7480, a section 22 amendment bill, and H.R. 10446, the mink import bill. I urge your immediate and close attention to these and similar measures which will put American farmers and mink ranchers back on their feet and I trust that this committee will endorse appropriate legislation in this regard.

The CHAIRMAN. Are there any questions? If not, then thank you Mr. Schadeberg, for sharing your views with us.

Mr. SCHADEBERG. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is also from Wisconsin, the Honorable William A. Steiger. Mr. Steiger, we appreciate your being with us this morning and you are recognized, sir.

STATEMENT OF HON. WILLIAM A. STEIGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. STEIGER. Mr. Chairman, members of the committee, thank you for allowing me this opportunity to submit testimony to the Ways and Means Committee during your deliberations on the Trade Expansion Act of 1968.

There are several areas that I would like to discuss. First, however, let me say that I believe expanded trade is very important, and if we are to create and maintain a viable economy that serves our Nation and provides what it can abroad, then the freedom to trade is a necessity. On the other hand, there are certain industries in this country that are continually threatened by expanded imports.

While I recognize it is difficult to discuss reducing imports in certain areas while we are attempting to expand exports, it is clearly what must be done. While increased exports is a desirable goal, we cannot, in my judgment, sacrifice domestic industries by neglecting the impact of increased imports.

CRITICAL SITUATION OF MINK INDUSTRY

The first area of concern that I would like to discuss is the problem faced by our Nation's mink ranchers. Mr. Chairman, this is not a large industry. Only 3,300 ranchers were recorded in the recent Tariff Commission investigation. In Wisconsin, however, it is a very important industry.

Mink pelts account for a large dollar volume in the Wisconsin agricultural market. This industry ranks second to dairy products in dollar volume.

Perhaps the easiest way to dramatize the problems our mink ranchers face is to point out that while we have some 3,300 ranchers today, in 1962 we had more than twice that number.

During your hearings, you will receive a substantial amount of statistics on mink imports and other commodities. I will not try to duplicate that here but only point out that one of the reasons for the decline in the number of mink ranchers during the past few years is the increased percentage of the domestic market held by imports.

Mink production in the United States almost doubled during the years 1956–66. In 1956 the net domestic production (less exports) was 4,345,000, and in 1966 the net domestic production was 7,863,000. In 1956, the ratio of imports to U.S. consumption of mink was 30.03 percent. In 1966 this ratio jumped to 54 percent.

If our domestic mink industry is to survive, then we must assist our mink ranchers. One of the only effective ways of doing that is to reasonably limit imports.

I have worked during the past year with the U.S. Department of Commerce in attempting to get imports reduced on a voluntary basis and to provide adequate statistical information on domestic and foreign production for the mink industry.

In addition, I have joined with a number of my colleagues in introducing legislation that would provide a sliding ceiling on the amount of imports allowed into this country each year. That ceiling would be based on 30 percent of the domestic production for that year.

This legislation, H.R. 11340, should, I believe, be favorably acted upon by this committee and the Congress.

CRITICAL SITUATION OF LEATHER INDUSTRY

Mr. Chairman, the second area of concern which I would like to discuss is the drastic increase in footwear imports during the past few years. During the first quarter of this year, imports of footwear of all types amounted to 65,096,400 pairs, an increase of 35 percent over the same period last year. This equaled 31.2 percent of the domestic production estimated at 208,818,000 pairs for the 3-month period.

This matter deserves immediate attention. The threat to our domestic shoe and leather industry is extremely serious, and this committee has before it legislation designed to provide orderly marketing which I support.

This threat is very real in my Sixth District of Wisconsin, Mr. Chairman, for both labor and management.

Theodore Hasse, president of the Oshkosh Tanning Co., at Oshkosh, Wis., has told me that unless this import tide is controlled and stopped,

we will not have a shoe business left in the United States, and his company will have no customers for its leather.

Mr. Hasse asked me if his apprehension struck me as being far-fetched. He then asked me to consider these facts: In 1966 we imported 68 percent of the baseball gloves used in this country. Baseball may be our national pastime, Mr. Chairman, but we might never know this from the manufacturer's name on the gloves. In 1966 we imported more than 35 percent of our handbags and better than 50 percent of our dress gloves. Maybe we should talk to our wives about these items.

Mr. Hasse tells me that the basic reason for the terrific increase in imports of shoes, leather, and leather goods is perfectly simple—unfair competition. Manufacturers in the United States are compelled by our Government to maintain a minimum scale of wage rates. There is no such obligation on manufacturers abroad. Labor costs in the United States are anywhere from three to 10 times higher than labor costs abroad. On the one hand our Government wants us to maintain a high cost structure and, on the other hand, it does nothing to protect us against the competition of products made by low-cost labor abroad.

The United States also closes its eyes to subsidized exports and to nontariff restrictions which prevent us from competing abroad. For example, we still cannot export any leather to Japan, although there is certainly nothing wrong with the economy of that country now. Meantime, leather goods flood us from Japan.

Operating behind their artificial barrier the Japanese tanners can afford to buy our raw materials and then return the finished goods to this country which cuts production and jobs in the United States.

In Europe there are direct and indirect subsidies to promote leather and leather good exports to the United States.

At Sheboygan, Wis., Henry Jung of the Jung Shoe Manufacturing Co., describes his firm as a relatively small Wisconsin footwear manufacturer employing 150 workers—typical of the many hundreds of similar shoe manufacturers located in over 600 cities and towns in the United States.

Mr. Jung says that in recent years his company has felt the terrific impact of foreign shoe imports. He says that while foreign imports have increased over 1,500 percent in the last 10 years, footwear exports have decreased 35 percent in the same period. The recent results of the Kennedy round, he says, will reduce future tariffs an average of 30 percent and make the domestic shoe manufacturing industry more vulnerable.

Jung says the heritage of his industry has never been a high profit one with average footwear manufacturers earnings at 2 to 3 percent on each dollar of sales. Obviously, he says, the American footwear industry cannot favorably compete with the low-labor rates paid in foreign countries which if paid in this country would be illegal, nor does it have any particular manufacturing advantage because of improved methods of technology.

The only salvation for the industry, says Jung, is legislation which will curtail imports whenever imports are found to be contributing to economic impairment of a domestic industry.

Members of Locals 197 and 796 of the International Boot & Shoe Workers Union, AFL–CIO, at Sheboygan and New Holstein, have ex-

pressed to me their concern about their future. These union men and women want assurance that while their foreign counterparts share in the growth of our domestic markets these markets are not snatched away from them. Now, however, foreign manufacturers seem to have a complete freedom to gobble up ever-increasing proportions of the U.S. footwear market.

Mr. Chairman, I share this concern expressed by labor and management for their future in this industry which has come a long way since the days of the Puritan bootmakers of New England in the 17th century only to face extinction now because of faulty Government action—or inaction.

CRITICAL SITUATION IN DAIRY INDUSTRY

The third area of concern I would like to discuss, Mr. Chairman, is that for dairy products. The story of dairy product imports is a fascinating one. It is the story of deception, bypass and misrepresentation.

Foreign importers of dairy products have for some years been circumventing quotas through various means. Recent orders by the Department of Agriculture resulted in foreign producers merely redesigning packages and slightly altering mixtures.

The Department of Health, Education, and Welfare backtracked on a ruling that imports of sweetened and condensed milk are not subject to the Federal Import Milk Act. HEW now says that imports of sweetened and condensed milk are subject to the Federal Milk Act. This change left only evaporated milk as not being subject to the sanitary standards of the act. This meant that unlimited amounts of evaporated milk could be imported to this country.

Then on June 10 of this year Secretary of Agriculture Orville Freeman announced that President Johnson proclaimed temporary import quotas on condensed and evaporated milk and cream. The quotas will remain in effect pending completion of an investigation by the U.S. Tariff Commission, including recommendations on the need for permanent import quotas.

This same proclamation directed the Tariff Commission to investigate the need for quotas on a number of other dairy products which are not now subject to import restrictions.

These dairy products include chocolate milk crumb, butterfat-sugar mixtures in retail packages, Edam and Gouda cheese, Italian cow's milk cheese not in whole loaves, Swiss cheese, and the miscellaneous cow's milk cheese classified as "other cheese" in the U.S. Tariff Schedules.

In connection with this proclamation, the Secretary tells us that supplies of milk and dairy products are far in excess of commercial market demands. This has, he says, fostered cut-throat competition and disruption of world dairy markets. And the Secretary cities examples of import transactions and price offers for canned milk and cheese in which the price of the foreign product was from one-third to one-half below that of the comparable domestic market.

Mr. Chairman, the amazing thing is that the details cited by the Secretary are almost verbatim to facts contained for many, many months in my constituent mail.

My information is that in the past few months, Mozzarella cheese has entered this country from West Germany at the rate of approximately 50,000 pounds per week. I also have been informed that during the next few months the importer expects to receive his first shipment of a whole milk item of the same type, which will add to the existing 50,000 pounds or so received weekly. I trust this committee recognizes the disastrous effect this amount of imports has on the domestic Italian cheese industry.

Mr. Joseph Sartori of the S&R Cheese Corp., of Plymouth, Wis., who is president of the American Producers of Italian Type Cheese Association, tells me that the importation from West Germany of Mozzarella cheese is illegal on the face of it, for this is not a true Mozzarella.

For months, the Department of Agriculture rebuffed Mr. Sartori.

Now, the Secretary of Agriculture tells us that the imports of so-called "other cheese" increased immediately after the issuance of a Presidential proclamation on June 30, 1967, which curtailed the importation of Colby and other American-type cheese which had been imported in large quantities primarily for manufacturing and processing. Secretary Freeman now tells us that deprived of the ability to ship in much of the Colby-type cheese, importers resorted to lower fat cheeses and even processed cheese for use in the processing of other cheese, cheese foods and cheese spreads. The Secretary says the price differential even made attractive the high moisture cheeses used in the commercial manufacture of pizza pies and similar products; not only were standard fat Mozzarella and Scarmoza cheeses imported, but entries included low fat, part skim Mozzarella and substandard part skim cheeses which could be properly identified under FDA standards only as imitation cheeses.

The Secretary says imports of "other cheese" have jumped from less than nine million pounds in 1964 to 25 million pounds in 1967. Over 40 per cent of this cheese was purchased at prices of 25 cents or less per pound, and an estimated 60 per cent at 30 cents or less per pound.

Also, Mr. Chairman, every now and then, we reach a stage in our vast federal government when we seem to be interested in only a large number of producers and the single operator becomes seemingly unimportant. Such a case presently exists in regard to the increased importation of chocolate milk crumb.

Mr. Chairman, there is only one independent producer of chocolate milk crumb in this country. It is Gehl Guernsey Farms in Germantown, Wisconsin. They are rapidly going out of business because of the large amounts of imports. There are, in fact, less than 10 producers of milk crumb in this country and they all are gravely threatened.

Here are the facts:

The average price of milk crumb, delivered to the United States, in the January through March quarter of 1968 was as follows:

	Per cwt.
Netherlands	$16.10
Ireland	17.80
United Kingdom	16.80
Belgium	16.00

The average selling price per cwt. is $16.68.

Now, based on conservative figures, the cost of ingredients of identical United States-produced milk crumb:

37 percent milk solids (3 × $4.18 per cwt.)	$12.54
56 percent sugar (56 percent × $10.00 per cwt.)	5.60
6 percent cpcpa (6 percent × $25.00 per cwt.)	1.50
Average ingredient cost per cwt	19.64

You will note that this price breakdown clearly indicates that milk crumb produced abroad is being sold in this country for about $3 per hundredweight less than the U.S. ingredients cost. John Gehl informs me that as of today he is the only independent producer of milk crumb and he has only two customers left; the rest have switched to foreign milk crumb.

For months Mr. Gehl has had a running correspondence with the Department of Agriculture, seeking some sort of relief. The Department kept replying that Mr. Gehl surely was the victim of misunderstanding.

Actually, Mr. Chairman, John Gehl and I both knew that he was no victim of a misunderstanding, but rather a victim of imports which knocked the bottom out of his markets.

Now, Mr. Chairman, the Secretary tells us that imports of chocolate milk crumb have increased tremendously. He says the 21.5 million pounds imported in 1967 was an increase of about 10 times the 1965 level. Shipments received the first 3 months of 1968 were over 40 percent higher than the corresponding period of the preceding year. And he says that, because of the price advantages of imported chocolate crumb, foreign milk solids could replace the entire 90 million pounds of milk solids reported by the Tariff Commission to be consumed by the milk chocolate industry.

The President has now acted with long-overdue import quotas on condensed and evaporated milk and cream. At the same time he ordered the Tariff Commission to investigate the situation in such areas as chocolate milk crumb and Mozzarella cheese.

I think, Mr. Chairman, the President in this latter area also could have taken the immediate step of imposing quotas. Concerned people like Mr. Sartori and Mr. Gehl surely see no need to await an investigation. They already have documented the case, as far as I am concerned.

Mr. Chairman, what I have outlined to you today clearly indicates the need for dairy import legislation. The Dairy Import Act I have introduced (H.R. 7255) should be, I believe, used as the foundation for building import restrictions that will, as they do in the bill, have a sliding ceiling based on domestic production. The legislation should be passed, Mr. Chairman, and I urge you to give it prompt and favorable consideration.

Surely we can't exclude all imports. We can be sure, however, that when we have products produced in this country we provide equitable treatment for them. An honest assessment of the industries I have discussed here today leads me to believe that action is needed to give them an opportunity to fairly compete at home and abroad. They are today facing a situation in which they cannot compete with lower-

quality and lower-priced products which in some cases are supported by their governments.

Your job is a difficult one and I appreciate you giving me this opportunity to participate.

The CHAIRMAN. We appreciate your bringing to us your thoughts, Mr. Steiger.

The next witness is our colleague from Iowa, the Honorable William J. Scherle. Mr. Scherle, we appreciate having you with us and you are recognized.

STATEMENT OF HON. WILLIAM J. SCHERLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. SCHERLE. Gentlemen, let me begin by stating that I appreciate very much the fact that your committee is holding hearings on the import question, and for giving me an opportunity to appear before you.

Of particular concern to my constituents are the areas of meat and dairy imports. Therefore, my remarks will be limited to these two subject areas.

MEAT IMPORTS

In May of 1967, Congressman Robert Denney, of Nebraska, and I, introduced H.R. 9616 to revise the quota-control system on the importation of certain meat and meat products. While we prefer the approach and coverage of this bill, most of the bills introduced in the House and Senate would improve the current situation. My comments are directed to this bill, but generally apply to all of the legislation proposed on this subject.

Not only would H.R. 9616 cover fresh chilled and frozen beef, veal, and mutton, as does the Meat Import Act of 1964, but it would extend the quotas to prepared or processed varieties of these same meats. It would lower the quota by changing the base years from 1959–63 to 1958–62. This eliminates 1963, which was the record year.

This bill would require that so-called offshore purchases be charged against the quota.

Existing law contains a triggering mechanism at 10 percent above the base qouta. The Secretary of Agriculture must estimate that annual imports of covered meats will exceed the quota by 10 percent before that quota can be invoked initially. Our bill would eliminate this 10-percent override.

The quotas imposed by existing law are unrealistically high, and must be changed if the Meat Import Act is to be of any substantial benefit to our domestic producers. The basic law, Public Law 88–482, was passed in 1964, following a period of record meat imports. The basic quota of 725.4 million pounds expands with increases in domestic production. When this factor is considered, in combination with the 10-percent override, we find that imports must threaten to exceed 1,045,300,000 pounds in 1968 before the Secretary of Agriculture will impose quotas.

Agriculture Secretary Freeman estimates that imports for 1968 will approximate 925 million pounds, representing a steady increase

in each of the last 3 years, but not enough to invoke the existing quota laws.

If we are to have legislation regulating the importation of meat, it should be made effective. It cannot be unless significant changes are made. To that end, we encourage your committee to recommend these needed changes to the Congress.

Those of us who support the Meat Import Act realize that trade is not a one-way street. But, in this connection, I would point out to the committee that, with regard to meat and meat products, we had an unfavorable balance of trade of $493 million in 1967. This is nearly the sum the President had hoped to recoup with his proposed tax on foreign travel.

Twenty years ago, the average price received on the sale of choice slaughter steers in Chicago was $30.96 per hundred pounds. Last Friday, the market in Chicago for choice steers closed at $27, a drop of nearly $4. During this same period, the wages of factory labor have increased in excess of 100 percent. The farmer cannot afford to continue to operate on a reduced income and pay higher prices for everything he must purchase.

Meat imports into this country are depressing the market price to the point where little, if any, profit remains in one of the Nation's major industries. Action to modernize our meat import laws would be of considerable benefit to the economy of the Seventh District of Iowa and the meat-producing areas of the Nation.

DAIRY IMPORTS

Because of the harmful impact of dairy imports on our domestic producers, on March 22, 1967, I introduced H.R. 7649, the Dairy Import Act of 1967. In all, over 200 individual Members of the House have introduced identical legislation.

In my testimony before the U.S. Tariff Commission on May 15, 1967, I stated that the level of dairy imports was a significant factor in the seemingly endless closing down of dairy farms throughout the country.

Because dairy imports in 1966 had tripled those in 1965, and the outlook was even more disastrous for 1967, the Tariff Commission determined that the level of dairy imports was interfering with the Government's price support program. It therefore called upon the President to issue a proclamation on this important matter.

When President Johnson announced on June 30, 1967, that imports on dairy products would be reduced to "one-fourth of the present volume beginning July 1, 1967," I was one of the first to applaud his decision, although pointing out that this action should have been taken long ago.

There is no question that action under section 22 provided some relief to the Nation's dairy farmers, and a reduction in the flow of imports. There was a temporary slowup in imports.

However, section 22 action has defects. To begin with, the proclamation is not permanent, and is thus subject to change at the whim of administrative officials.

Furthermore, the quotas under section 22 are on a commodity basis; thus loopholes are always available. It has proven relatively easy to

develop new commodities which do not come within the specific descriptions contained therein.

At the time of the President's proclamation, I warned that it would not be long before importers would develop new methods of evading the quotas. That is precisely what has happened, and is the reason for my appearance here today.

The President's June 30 proclamation specifically excluded such items as chocolate crumb, processed Edam and Gouda, and processed Italian-type cheese. Illustrative of the problem we are now facing are the following statistics. In 1960, only 50,000 pounds of chocolate crumb, which is a mix for ice cream, was imported into this country. But by the end of 1967, this total had risen to 10 million pounds.

This month, because of the alarming levels of imports of such items as condensed and evaporated milk and cream, the President proclaimed temporary import quotas on them.

As the Secretary of Agriculture has pointed out: "Each pound of foreign milk imported as condensed or evaporated milk or cream will replace one pound of domestic milk now going to condenseries which would be converted to cheese, nonfat dry milk powder, and butter. The domestic milk displaced by these imports would consequently have to be purchased, in processed form, by the Commodity Credit Corporation."

The Tariff Commission is also to investigate the need for quotas on a number of other products not now subject to import restrictions. These include chocolate milk crumb, butterfat-sugar mixtures in retail packages, and most types of cow's-milk cheese which are not now under quota.

I have no doubt that the Tariff Commission will find that imports of these commodities are interfering with the price-support program. In time, further section 22 action will follow. But to me, the only truly permanent solution to this problem is passage of the Dairy Import Act, whether it be H.R. 7649, or a similar bill.

The State of Iowa is one of the Nation's leading dairy States. Passage of dairy-import legislation will mean much for the well-being of this most important industry.

I therefore urge your adoption of legislation to permanently curb damaging levels of imports of dairy products.

Thank you for your time and consideration.

The CHAIRMAN. Thank you, Mr. Scherle, for bringing to us your thoughts. Are there any questions?

Thank you, sir.

Our colleague from Minnesota, the Honorable John M. Zwach, was unavoidably detained this morning and has requested that his statement be included in the record. Without objection it will be so done at this point.

(Congressman Zwach's statement follows:)

STATEMENT OF HON. JOHN M. ZWACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman, I wish to thank you and the Committee for this opportunity to present my thinking on this vital question of imports. I shall be brief as you have many experts here to add the facts and figures of this many-sided issue.

Much has been said about the volume of agricultural exports which has expanded greatly and has presented the country with a favorable contribution to

the balance of payments problem. However, in stating this, we fail to look behind these figures to see what this world price program has done.

We face a very difficult choice—to bring in more imports means the more rapid loss of jobs, industry, and farms, and the greater expenditure of tax dollars by our government in order to provide needed relief to those who are harmed by higher imports. In addition, a continued pursuit of this policy will place prices at a world level, but our fixed costs will remain at a much higher American level.

In the field of agriculture alone, we have lost over 800,000 farmers in this decade. Parity of income for farmers now stands at 73%, the lowest since the Depression Period, and 7% below 1960. This parity is determined by dividing the index of farm costs by the index of farm prices. That cost index is guaranteed to go up as farmers must necessarily purchase many of the agricultural inputs and machinery made by those whose incomes are protected by cost-of-living wage increase contracts, overtime pay, and minimum pay scales. This is in no way intended to deny the fruits and values of organized labor to our skilled employees.

So far as I have been able to ascertain, all nations except the United States use imports to supplement their home economies, not to harm them. The present policy of allowing nearly unlimited imports can mean the final exportation of all farming from the United States, and the same could apply to the steel and textile industries as well as others.

It leaves the other route of employing all the energies possible to produce in such volume that the sources of production are pushed into the hands of corporations or extremely wealthy owners and operators. Corporations may be able to withstand this competitive position as they are able to establish a selling price to cover their costs at the retail level. Not so with the independent small farmers. I detest this route, and believe that every conceivable effort must be made to prevent the mass exodus of all our farm families.

I have introduced bills which are before this Committee dealing with the importation of dairy products, H.R. 5118; meat and meat products, H.R. 10582; honey, H.R. 11770; mink pelts and skins, H.R. 10176; textiles, H.R. 13214; and House Concurrent Resolution 599 to prohibit the importation of livestock or fresh meat from any country in which livestock are known to be infected with hoof and mouth disease. None of these bills advocates a cut-back in imports or denies imports, as I am a firm believer in the need and advantages of sound two-way trade. However, I do not believe that the present route is anything other than suicidal, and that efforts must be made to develop a sound import quota law covering these products.

Thank you for your consideration.

The CHAIRMAN. Our next witness is Mr. Robert M. Norris. Mr. Norris, please come forward. You have been before us in the past but again, Mr. Norris, we would ask you to identify yourself for this particular record.

STATEMENT OF ROBERT M. NORRIS, PRESIDENT, NATIONAL FOREIGN TRADE COUNCIL, INC.; ACCOMPANIED BY MELVILLE H. WALKER, VICE PRESIDENT

Mr. NORRIS. Mr. Chairman, my name is Robert M. Norris. I am president of the National Foreign Trade Council, Inc. I am accompanied by Mr. Melville H. Walker, vice president of the council. Mr. Chairman, I am sure most of the members of your committee know that the membership of the council comprises a broad cross-section of U.S. companies engaged in all major fields of international trade and investment, including manufacturers, exporters and importers, companies engaged in rail, sea, and air transportation, bankers, and insurance underwriters.

We appreciate the opportunity to present views on behalf of the National Foreign Trade Council at these hearings on tariff and trade proposals, and in particular upon the administration's rec-

ommendations embodied in H.R. 17551, the Trade Expansion Act of 1968. Specifically, I should like to present the views of the council regarding the extension of the negotiating authority of the President, adjustment assistance, and the American selling price system.

EXTENSION OF NEGOTIATING AUTHORITY

The National Foreign Trade Council endorses the provisions of title II, section 201, of H.R. 17551 which extend until July 1, 1970, the authority of the President to exercise whatever portion of his authority which remained unused at the close of the Kennedy round of trade negotiations that may be required to reduce rates by as much as 50 percent.

Since July 1, 1967, the expiration date for negotiating authority under the Trade Expansion Act of 1962 (TEA), the President has in fact had no authority to negotiate even minor adjustments in tariffs. Should need arise for adjustment by the United States of any rates of duty which are bound in the General Agreement on Tariffs and Trade (GATT), particularly with "escape clause" action, it is important that the United States be in position to negotiate a compensatory tariff concession under GATT procedures. The council endorses the proposed extension of negotiating authority under section 201(a)(1) and Section 201(b)(1) of the TEA.

ADJUSTMENT ASSISTANCE

Although the National Foreign Trade Council favors amendment of the provisions of the Trade Expansion Act of 1962 to provide more readily available recourse to adjustment assistance for individual firms and workers than has proved possible under the tests for eligibility set forth in that act, it does not favor in all respects the amendments proposed in H.R. 17551.

To be eligible for assistance under TEA (1962), it had to be demonstrated that tariff concessions have been in major part the cause of increased competitive imports and that such increased imports have been the major factor in causing serious injury to the firm or unemployment of a significant number of workers. Under these criteria, none of the petitions for adjustment assistance filed under the TEA has been approved.

Section 301 of H.R. 17551 proposes to liberalize the criteria of eligibility of individual firms and workers for adjustment assistance. A significant change is that section 301 would relate injury to increased imports whether or not a trade agreement concession was a factor causing such increase in imports. Moreover, when increased imports are determined to be "a substantial cause of serious injury," rather than the "major cause" as under the 1962 TEA, individual firms or groups of workers would become eligible for adjustment assistance under the proposed legislation.

The council's basic support of more liberalized criteria for adjustment assistance rests upon the recognition that individual U.S. industries and firms may have to adjust their operations as reductions in tariff duties as contemplated in the Kennedy round go into effect. If adjustment assistance is to be justified, the council holds that, in addi-

tion to a determination that an increase in imports has been a substantial cause of serious injury, it must also be shown that such increase in imports resulted in a substantial way from a tariff concession granted.

The council endorses the proposal that administration of the adjustment assistance provision of the TEA be patterned on the Automotive Products Trade Act of 1965, with the President delegating the authority to make determination of eligibility jointly to the Secretaries of Labor, Commerce, and Treasury. It supports extension of the adjustment assistance provision of the Automotive Products Trade Act through June 30, 1971.

THE AMERICAN SELLING-PRICE SYSTEM

With major and continuing emphasis for expanding world commerce, and by building upon the results of the Kennedy round, the National Foreign Trade Council fully endorses the efforts now being undertaken by the United States and the other governments concerned to analyze the extent and impact of nontariff barriers, and to develop the basis for concerted international action under the auspices of the GATT for their reduction and ultimate removal. At the same time, the council also calls for continuing and more vigorous efforts by U.S. Government representatives in utilizing fully the countervailing duty, antidumping, and other provisions already in our own laws and in the GATT, to oppose and offset unfair competition and nontariff barriers which in contravention of GATT standards are adversely affecting U.S. commerce. Such devices as border taxes, export subsidies, import quotas, "buy national" laws and practices, discriminatory internal taxes, arbitrary customs valuation, and State trading and marketing regulations already adversely affect trade with many countries more than do tariffs per se, and can become even more restrictive. It is within this framework that the National Foreign Trade Council supports the elimination of the American selling-price (ASP) system.

In recognizing that the ASP system is characterized as a nontariff barrier, we strongly underline the fact that the United States is not the only offender insofar as the raising and maintaining of such barriers is concerned. Consequently, any termination of the ASP system calls for sound bargaining. Our negotiations toward future trade liberalization should encompass adherence to the principle of enlightened national interest, and any agreement involving concessions by the United States should contain compensation of real advantage for expanding markets for U.S. products.

The National Foreign Trade Council does not undertake to appraise in specific terms or values the compensatory concessions relating to the elimination of the ASP system which were agreed to in the Kennedy round negotiations. Your committee has, and undoubtedly will continue to receive, documentation from both the Special Representative for Trade Negotiations and the industries concerned relating to the effect of elimination of the ASP system upon particular industries.

Consistent with the foregoing, the council would strongly hope, therefore, that a common ground could be reached for elimination of the ASP system and for concerted international action under the auspices of the GATT for the reduction and ultimate removal of non-

tariff barriers so that the opportunities and mutual benefits to be realized from increased world commerce can be achieved.

Mr. Chairman, this completes the comments which I wish to make at this time on behalf of the council regarding the administration's proposals embodied in H.R. 17551.

FUNDAMENTAL PRINCIPLES AND MEASURES WHICH SHOULD UNDERLIE U.S. TRADE POLICY

Before concluding my statement, however, I would also emphasize that our recommendations in regard to the specific proposals of the administration are derived from the basic premise and conviction that a strong and secure U.S. economy is the central aim of foreign trade policy, as it is of our Nation's whole array of related economic policies. Only in the context of consistent and mutually supporting monetary and fiscal policies can foreign trade make its full contribution to the strength of our economy and to the well-being of our people.

We have long stressed the paramount need for the United States to take meaningful measures to restore a sustainable balance in the U.S. international payments, and to assure the integrity of the dollar.

In our view, the required remedial measures should be derived from the overall integration and consistency of measures relating to taxation and the reduction of governmental expenditures; monetary, international trade, and investment policies. The primary requirements for strengthening the U.S. balance of payments are the restraint on offsetting of inflationary pressures, from whatever source, and the preservation of cost-price levels in the United States, compared with other countries, which will enable the products and services of U.S. industry to compete in world markets.

We are aware, indeed, that this committee has been importantly involved with anti-inflationary measures involving taxation and reductions in Government expenditures and hope they will soon be successfully resolved.

There are a number of aspects of foreign trade policy, many of which your committee is now reviewing. Some of the issues which must be met deal with matters of longer run importance. Others involve governmental action to meet emergency situations. Still others relate to the problems of particular industries which may be adversely affected by tariff reductions or which are insufficiently able to expand exports because of residual foreign trade barriers. The effects of these in loss to the U.S. balance of payments must be taken into account and remedial action studied, evaluated, and, if necessary, negotiated, making full use, as we have already emphasized, of the safeguards afforded under provisions of our laws and the GATT.

Our first obligation in the formulation and carrying out of foreign trade policy is to foster, promote, and protect the foreign commerce of the United States. But all experience shows that foreign trade policy to be effective must be developed in concert with other nations. The goal of economic progress in this country can only be attained in this interdependent world in which we live if other nations also are able to achieve such progress.

The National Foreign Trade Council remains dedicated to the principle of open and nondiscriminatory trade on a most-favored-nation

basis as the soundest goal for international trade policy. We emphasize the essential interdependence of international trade and investment, as we previously have in testimony before this committee, other committees of the Congress, and departments and agencies of the executive branch. Foreign economic policies of our Government should encompass both foreign trade and investment, and should aim at the overall strengthening of our economy by the most efficient allocation of resources through the operation of open market forces. To this end we would strongly urge that within the U.S. Government there be the most effective coordination of efforts and responsibilities in the formulation and conduct of our foreign economic policies and programs to provide cohesive and constructive force to all related measures for the promotion of private international trade and investment.

In respect to the mandatory controls of direct foreign investments, enforced since January 3, 1968, under the President's balance-of-payments program, we have previously documented in communications to the Department of Commerce, and in testimony before this committee and the Joint Economic Committee of the Congress, the main problems and areas of concern which these regulations pose for U.S. direct investors. We have suggested certain amendments and changes in administrative procedures relating thereto. We have emphasized that the significant longer term benefits of expanding trade and investment should not be thwarted by any undue prolongation of such controls. We strongly reaffirm that the earliest possible termination of such controls is an essential step toward sound longrun trade policy for our country.

Finally, Mr. Chairman, I would affirm that the unprecedented expansion of world trade and investment which has occurred within the last 20 years has contributed greatly to the growth of the United States and the other nations of the free world. It has been possible because the nations of the free world have worked together to concert the trade, monetary, and fiscal policies and institutions which are essential for that growth. Our firm view is that the United States and other nations of the free world should meet their present problems in ways which will maintain and, as needed, strengthen the role of such agencies as the International Monetary Fund and the General Agreement on Tariffs and Trade, and thereby maintain a proved essential framework for international economic progress.

The CHAIRMAN. Any questions of Mr. Norris?

If not, we thank you, sir.

Mr. NORRIS. Thank you.

The CHAIRMAN. The Chair observes that our colleague from North Carolina, Mr. Whitener, is now in the room. Mr. Whitener, we appreciate your coming to the committee.

STATEMENT OF HON. BASIL L. WHITENER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. WHITENER. Thank you, Mr. Chairman and members of the committee.

Mr. Chairman, I am grateful for the opportunity to appear before the Ways and Means Committee this morning. As the Representative of a congressional district which has more textile manufacturing plants

than any other section of the country, I have a particular interest in the problems of the industry and the Nation's export-import policy.

I want to commend you, Mr. Chairman, for the great interest that you have shown and the invaluable assistance that you have rendered to the American people in the field of international trade. I am likewise grateful to the members of your committee, who, not always agreeing with my views and recommendations on import-export policy, have nevertheless conscientiously worked for an equitable solution to the many highly complex factors involved in our international trade relations.

Mr. Chairman, as we all know, the great turning point in American trade policy took place with the adoption of the Trade Agreements Act of 1934. The legislation was conceived and enacted at a time of economic distress throughout the world. The great Cordell Hull thought of the legislation as a means of reviving a stagnant and demoralized international trade. He believed that, by a system of reciprocity in international trade, commerce could be revived among the nations.

The Reciprocal Trade Agreements Act of 1934 was a great step forward for the United States and, as Cordell Hull had predicted, the legislation set the wheels of industry and commerce turning again.

Mr. Chairman, social, political, and economic forces in the world are in a constant state of evolution and change. With the drastic revolution that has occurred in industry and technology since 1934, and under the many amendments which have been made to the original Reciprocal Trade Agreements Act, the basic principle of reciprocity enunciated by Cordell Hull has become eroded and practically nonexistent in many instances.

The President has well stated the case for a reexamination of our international trade relations. In his message to the Congress on May 28, 1968, the President said:

> Trade is a two-way street. A successful trade policy must be built upon reciprocity. Our own trade initiatives will founder unless our trading partners join with us in these efforts.

It is my hope, Mr. Chairman, that all of us in the Congress will bear in mind these words of the President as we fashion the proposed Trade Expansion Act of 1968.

No one can deny that many industries basic to the economic well-being of the American people and the very survival of our Nation are being seriously damaged by our present trade policy. Instead of a two-way street to which the President refers, our trade relations at the present time, in far too many instances, are a one-way avenue to oblivion for certain of our great industries.

In our humane desire to better the standard of living for overseas countries we have made too many concessions in foreign trade. We have made a mockery of reciprocity.

The great textile industry, which is so vital to the welfare of the people I represent and to millions of other Americans, has been particularly the victim of well-intended concessions and agreements.

Mr. Chairman, the most recent statistics of the Bureau of the Census indicate that we have over 574,000 persons employed in all types of manufacturing in North Carolina. We gain some idea of the tremendous importance of the textile industry to the economy of North Caro-

lina when we realize that over 234,000 North Carolinians are employed in the manufacturing of textile mill products. Another 55,000 North Carolinians gain their living in the apparel and related products industry which, as we know, is closely associated with the textile industry. It will be readily seen, therefore, that any factor that affects, even in the slightest degree, the economic health of the textile industry has an immediate impact upon hundreds of thousands of North Carolinians. Over 70,000 people in my congressional district earn their living in textile plants.

The Congress has expressed a genuine desire to alleviate some of the pressing economic problems of our less fortunate fellow citizens residing in the beautiful Appalachian areas of the Southeast. Few people realize the tremendous impact that textiles have on Appalachia. Twenty-six percent of manufacturing employment in Appalachia is in textiles. Some 453,000 persons in Appalachia earn their living in textile plants.

In those counties adjacent to Appalachia 236,000, or 31 percent of the laboring force, is employed in textiles. It will be seen, therefore, that any dislocation of textile employment opportunities will be felt more severely in an area of the Nation already plagued by the lack of job opportunities.

Mr. Chairman, the phenomenal increase in textile imports during the last several years staggers the imagination. In spite of the best efforts of our country to convince our textile importing friends that they must honor their agreements with the United States, textiles continue to flood the Nation in ever-increasing amounts.

In 1961, 720.2 million square yards of cotton textiles were exported to the United States. In 1967, the figure had nearly doubled. Last year, 1,485.4 million square yards of cotton textiles reached the United States. The dollar value of these imports have increased from $198.8 million in 1961 to $416.7 million in 1967.

In manmade fibers we have witnessed the same tremendous increase in imports. In 1961, 164.3 million square yards of manmade textile imports reached the United States. In 1967, these imports had reached the astounding figure of 933.5 million square yards of manmade fiber textile imports. In dollar value manmade fiber textile imports have increased from $59.7 million in 1961 to $311.8 million in 1967.

Mr. Chairman, when we combine cotton, wool, and manmade fiber imports we find that the total of such imports for 1961 was 985.2 million square yards. In 1967 the figure had more than doubled for in that year 2,571.8 million square yards of these textile fiber imports were received in the United States. In dollar value the total for these imports more than doubled. In 1961 the figure was $458.7 million; by 1967 it had reached $1,055.8 million.

Mr. Chairman, it is a credit to the leadership of the textile industry that the industry has been able to withstand the economic shock of such an alarming increase in imports.

The industry has been accused of poor management and the lack of dynamic new approaches to manufacturing and marketing. The experience that the textile industry has had in meeting the unprecedented challenge of textile imports certainly belies these unwarranted accusations.

Mr. Chairman, the textile import picture for 1968 reflects the accelerated trend in imports. Textile exports to the United States during the first quarter of 1968 were a record 780.7 million square yards. This was the highest first quarter import level on record. The first quarter total for 1968 was 77.8 million square yards, or 12–12 percent higher than the first quarter of 1967. All major categories—cotton, wool, and manmade fibers—were substantially higher the first quarter of his year than they were the first quarter of 1967.

There are those in the United States who labor under the erroneous impression that the textile industry is amassing tremendous profits. Those who are familiar with the fiscal condition of the industry know that this is not a fact. During the period 1961 through 1966, for instance, the comparable rate of return for the producers of textile mill products was below that of all manufacturing.

In July–September 1967, for example, the net profit of the textile industry was 5.3 percent, or about one-third lower than that of all manufacturing corporations which was 7.8 percent.

There is a school of thought in the Nation that the textile industry is expendable and that our textile plants could be converted to other types of employment. Those who advance these radical ideas are also ignorant of the facts concerning textile manufacturing.

They fail to realize that the physical resources of the textile industry more nearly than any other industry are so peculiar to the industry that it would be nearly impossible to shift plant and management to other industrial uses. Extensive studies of the feasibility of converting mills to nontextile production have in nearly every case provided a uniformly negative answer.

In order to survive, textile mills must have their production facilities and distribution so highly engineered and balanced that even to convert to another line of textile manufacturing would result in a substantial restructuring of plants and tremendous additional investment.

These facts are not peculiar to the United States. They apply to textile operations in nearly every other country of the world. It has been said that no industry operates more uniformly as to manufacturing methods and distribution than does the textile industry.

Mr. Chairman, I feel that in the consideration of our international trade relations we should also give serious thought to the impact that textile imports are having upon the domestic production and sale of cotton at home and abroad.

Ten years ago textile imports represented approximately 200,000 bales of cotton. In 1966 textile imports comprised more than 1 million bales of cotton. This tremendous increase in imported cotton in the form of textile products takes on an ominous meaning when we realize that the six nations which furnish 84 percent of cotton yard imports to the United States buy almost no U.S. cotton.

In the fiscal year ending July 31, 1967, these six countries purchased only 3,858 bales of U.S. cotton, or less than 0.1 percent of total U.S. exports of 4,668,847 bales. Those who are interested in promoting an expanded market abroad for U.S. cotton would do well to heed this dangerous trend.

The ease with which overseas nations can sell their textile products in the United States has tremendously accelerated the construction

of textile plants abroad. The governments of textile-exporting nations have adopted various methods of subsidizing textile manufacturing.

The Japanese, for instance, employ special aids for their textile industry, consisting of export insurance arrangements, special foreign exchanges policies, special tax measures such as a favorable depreciation rate applicable to exports, low-cost export financing, the subsidization of overseas trade promotion, and subsidies to protect the consolidation and modernization of the industry.

In his message to the Congress on May 28, 1968, the President also said: "Other nations must join with us to put an end to nontariff barriers." The example I have just cited with respect to Japan is a classic case of an effective nontariff barrier to U.S. textile competition.

The barriers erected by overseas nations to the sale of American textile products take many ingenious forms, involving, among other things, taxation, financing, advertising, quota arrangements, distribution, product content. While the Congress has no voice in the internal policies of our trading partners the executive departments should nevertheless exert maximum effort along the line indicated by the President to induce foreign export nations to receive American products on an equitable and reciprocal basis.

I am hopeful, as this committee approaches the drafting of legislation to regulate our international trade, that serious consideration will be given to the conditions prevailing in the textile industry and other basic industries forming the bedrock of our industrial capacity.

I hope that the sound trade principles embodied in the Mills bill may find expression in the Trade Expansion Act of 1968. Let us make international trade truly reciprocal. Let us abolish the one-way street to which the President has referred.

At a time when the Nation has been forced to make drastic changes in our traditional international monetary policy it is all the more mandatory that the Congress take a realistic look at some of the import conditions that have jeopardized the job opportunities of thousands of our people and which have been a contributing factor in diminishing our gold reserves.

I strongly recommend that the Congress provide in the Trade Expansion Act of 1968 more effective methods of securing relief for American industry seriously threatened by imports.

The history that industry has had with the Tariff Commission under existing law offers little hope for effective relief in the future. The law should be explicit. There should be no authority, implied or otherwise, in the Trade Expansion Act of 1968 that will give the Tariff Commission, or any executive department of the Government or independent agency, the power to bargain away the jobs of the American people on the grounds of international political expediency.

"Reciprocity and fair play are the essential standards for international trade," said President Johnson in his message to the Congress on May 28, 1968. I hope this great committee will report a bill which embodies the spirit of the President's declaration.

The CHAIRMAN. We thank you, Mr. Whitener, for bringing your statement to the committee. Are there any questions of Mr. Whitener?

We thank you, sir.

Mr. WHITENER. Thank you.

The CHAIRMAN. Thank you again for coming.

Mr. Stewart, if you will again identify yourself for our record we will be glad to recognize you.

STATEMENT OF EUGENE L. STEWART, COUNSEL, U.S. PRODUCERS OF FLAT GLASS

Mr. STEWART. Mr. Chairman and members of the committee, I am Eugene L. Stewart. I appear here as counsel for the U.S. Producers of Flat Glass. I have a prepared statement which includes an extensive statistical appendix. I shall not read the statement, Mr. Chairman, but rather will summarize it.

The CHAIRMAN. With the knowledge that your entire statement and the materials appended to it will appear in the record.

Mr. STEWART. Thank you. I will occasionally refer to particular pages of the statement but otherwise will not follow it so it would not be possible for you to follow the statement. I therefore respectfully request your attention to what I have to say.

The flat glass industry is presented to this committee because it offers an opportunity to illustrate to you the operation of the past and present escape clause or adjustment assistance provisions of the act as well as a combination of devices which face the export trade of a basic manufacturing industry, including in addition to the European border taxes and other nontariff barriers, the type of systematic restrictive business practices with which basic industries in other countries undertake to influence and control foreign trade.

The production of glass is one of the oldest industries in the world. In this country it began in Jamestown in the early 1600's. To produce glass requires abundant natural resources, silica sand, soda ash, limestone, and a source of fuel such as coal or natural gas.

These exist in the proper combinations in the United States, England, Belgium, France, Germany, Czechoslovakia, Russia, Japan, and Taiwan.

Over the long sweep of time this industry, the demand for whose products is tied to the economic cycles, the pace of construction activity in various countries, and the strength of the automobile industry around the world, has gone through such peaks and valleys of economic distress that outside of the United States order has been achieved by the establishment of a monopoly such as in England with the Pilkington group, a formal cartel as on the Continent of Europe with St. Gobain in France, Glaverbel in Belgium and the German producers, and an arrangement such as exists in Japan where the three dominant producers, Asahi, Nippon, and Central, are permitted to rationalize their approach to exporting by agreeing who shall export what and at what prices, and now most recently typified by Taiwan whose government promotes the production of flat glass by tax forgiveness and the subsidization of raw material costs.

As against this rather formidable array of competitive forces abroad, the U.S. industry competes on the basis of, first, wage rates of $3.60 an hour on the average for production workers, which are far higher than most other American industry, and a trade policy which has increasingly exposed the largest market, the U.S. market, for the benefit of these foreign monopolies and cartels.

I illustrate what has happened to the duties that protected the U.S. industry as follows: You will recall, Mr. Chairman, and members of the committee, that under the Tariff Acts of 1922 and 1930 before the trade agreements authority there was the flexible tariff provision by which the Tariff Commission investigated the actual costs of production here and abroad. Four times the cost of producing flat glass in the United States and abroad was investigated by the Government and the rates of duty established in the Tariff Act of 1930 were the rates found by the Tariff Commission in this factual investigation to be required.

In the period 1931 to 1935, just preceding the first trade agreement on the products of this industry, the average rate of duty on the three basic categories of flat glass were as follows: On rolled glass, 32 percent; on plate glass, 88 percent; and on sheet glass, 54 percent.

By the time that immediately preceded the Kennedy round, by tariff reductions and trade agreements the rolled glass rate had been reduced from 32 percent to 9 percent, the plate glass rate from 88 percent to 16 percent, and the sheet glass rate from 54 percent to 19 percent.

You will remember, Mr. Chairman, that when the peril point procedure was in effect under the provisions of the Trade Agreement Extension Act of 1951 and subsequent acts the Tariff Commission was charged with investigating what the probable effect of reductions of duty would be on the products of an industry to determine whether in certain instances an increase in duty was required.

In connection with the Dillon round in 1960 the Tariff Commission found that two categories of flat glass; namely, rolled glass and sheet glass, not only would be injured by a reduction in duty, but required an increase, and on its own motion it initiated two escape clause investigations.

In 1961 the results of its investigations were reported. On sheet glass there was a report of a sufficient number of Commissioners to go to the President and President Kennedy raised the sheet glass rates.

On rolled glass three of the six Commissioners found injury but they divided on the form of relief and this prevented the President from acting.

Now, in the current period President Johnson in 1967 reduced the escape clause rates on one category of sheet glass and eliminated them entirely on two other categories.

In addition, in the Kennedy round our Government agreed to reduce the duties by 50 percent on all of the categories of flat glass that were legally available for tariff reduction, which included rolled glass, which will be reduced to 4.6 percent, plate glass, which will be reduced to 8 percent, and two categories of sheet glass.

Now, if you would turn very briefly to page 4 of my prepared statement you will find a table. I will detain but a moment in regard to the table. At the far right you see percent change. If you look at the center column, 1962 to 1965, this was the period in which the escape clause rates put into effect by President Kennedy produced their greatest effect and if you run your eye down that column you will see that all the percents are plus.

Shipments were up, employment was up, and the domestic market was up.

If you go to the far right, 1965 to 1967, January 1, 1967, the tariff increase was terminated by President Johnson in certain categories and modified as to others, and you see the emergence of minuses, down on the value of shipments, down on employment, down on the domestic market, although imports continued to increase.

The increase in exports that are shown there is accounted primarily by exports to Canada.

Now if you would turn to page 6, on page 6 we are stating here in thousands of square feet the relationship of imports to domestic consumption of flat glass and you will notice that in our healthiest year under the escape clause rates, 1965, market penetration dropped to 17.8 percent, which is the bottom line of the table, the third column over from the left.

When the tariff was reduced in 1967 at the beginning of the year imports increased although domestic consumption went down and the share of the market held by imports went up to 21.7 percent.

Now on page 9, in this table we take each of the three principal subdivisions of flat glass for the last 3 years. The first line shows what proportion of the domestic market is accounted for by that kind of glass. For example, plate glass in 1967 accounted for 22½ percent of the domestic consumption of flat glass.

The number right below that figure shows the share of the market accounted for by imports of plate glass, and very briefly the point about this table is in each category the market penetration has marched upward and in stairstep fashion during the past 3 years.

If I could get you to look just briefly at page 12, page 12 shows at a glance what has happened to the balance of trade in flat glass expressed in units, a very substantial deficit which has increased very significantly in 1967, the year of the tariff reduction.

Now, if you would turn to page 14, page 14 summarizes in units in the upper part of the page the percent of the exports accounted for by the United States and other principal suppliers, one and a half percent of world exports of sheet glass accounted for by the United States with the percentages for the other countries as shown.

In plate glass, which is the lower half of the page, we accounted for 13½ percent and you see the percentages accounted for by the other countries.

Now turn to page 15. On page 15, the upper half, you see the percent of the total imports of the producing countries imports of sheet glass received by each nation. The United States received 74 percent of the amount of sheet glass imported by this group of principal countries that produce flat glass and in the lower half of the page as to plate glass, 45 percent.

Now, it should be clear from these figures that the United States is not able without the benefit of some type of import regulation measure to hold on to the domestic market and it is clear that it does not have significant access to the export market.

Yet the flat glass industry is a basic industry. This industry has lost nearly 7,000 workers in the past few years as a result simply of the trade imbalance and this is shown by a graph on page 23 of the statement.

Will you just take a quick look at it. The employment balance of import surplus over exports accounts now for about 7,000 jobs and

there has been an absolute decline, as reported by the Bureau of Labor Statistics, of about 6,000 jobs from our peak employment in 1959.

I would like to come now to the conclusions and recommendations which we present. This industry is located in 11 States with 24 plants that employ 30,000 workers and the majority of the plants are in communities located in Appalachia or in areas that have been declared labor surplus by the Government.

The average hourly wage of our workers, $3.60 an hour, is of exceptional importance to the economic life of these communities. From the tariff history that I have recounted you can see that the Government has been systematic in eliminating or reducing very sharply the tariff protection of this industry.

At the present time on the west coast of the United States we have a brandnew flat glass plant constructed there by one of the companies, the most efficient plant in the world from the point of view of its being modern, the machinery and the like. That plant is operating well below capacity. It is operating at about 50 percent of its capacity and there has been set in motion a very sharp series of price reductions on the west coast because Japan and Taiwan are fighting over the west coast market.

Taiwan is fighting on the basis of subsidization of its exports. On the east coast of the United States and in the Gulf ports a similar encroachment is being experienced from the cartelized monopolies in Europe and in the first quarter of this year, 1968, every category of flat glass increased at least 40 percent over the comparable category in 1967.

Our tariffs are now so low that they are no longer an effective means to enable the industry to stay alive. This is why we support pending bills which would impose quotas on imports of flat glass.

Recognizing that other basic industries are in the same position, we endorse Mr. Collier's bill, H.R. 17674, and we have a brief explanation of that bill at pages 26 and 27 of our statement.

The essence of it is that it would take recent levels of imports as a base period quota and adjust them as the market rises or falls. It would also allow the Government to set aside the quotas if there is a shortage of supply.

Finally, it would authorize the President to negotiate trade agreements under firm guidelines in dealing with the demands for compensation or retaliation that other countries might be expected to launch if these quotas go into effect.

The theory of the bill is that seated around a table the countries that have a stake in the flat glass trade would rather work out on the basis of a negotiated agreement an adequate position in the U.S. market than to suffer a more severe loss than that which might be involved through the statutory quotas.

Mr. Chairman, this concludes my summary of the statement. I would like to say that it is no longer possible to apply the principles of the period of the trade agreements legislation from 1934 to date in solving the problems that face industry today.

This matter of restrictive trade practices which I mentioned to you in which cartels may be formed for the export trade and to rationalize

production within home markets is permitted by the Treaty of Rome in the Common Market by the legislation of countries such as Germany and England, by the legislation of Japan.

Regardless of what else our Government may be able to accomplish by way of working on nontariff barriers it is not possible to negotiate a solution of these restrictive trade practices. Yet they are very real in their impact both on U.S. imports because the cartel can price the goods at the level necessary to get into this market and on their ability to keep our exports out of their markets.

So we advance this final thought as a special reason why among the remedies your committee should consider are the remedies based upon the use of negotiated import quotas.

Thank you, Mr. Chairman.

(Mr. Stewart's prepared statement follows:)

Testimony of

EUGENE L. STEWART, Counsel

U. S. PRODUCERS OF FLAT GLASS

Before the

COMMITTEE ON WAYS AND MEANS

U. S. HOUSE OF REPRESENTATIVES

June 17, 1968

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INTRODUCTION

The members of the U. S. flat glass industry are grateful for the action of the Committee in conducting public hearings on the state of our foreign trade policy with the particular emphasis which the Committee has given to areas which are potential candidates for reform. These companies and the location of their U. S. manufacturing plants are set forth in Exhibit 1 to this testimony.

The domestic flat glass industry believes that its experience in foreign trade can provide useful insight for the Committee into inadequacies in the existing concepts which define our foreign trade policy, as well as into inadequacies in its administration.

The term "flat glass" refers to the following principal categories of product: sheet glass, sometimes known as window glass; plate glass; float glass; and cast or rough rolled glass. Special categories of flat glass include laminated or safety glass and toughened or specially tempered glass.

Our Nation is now at the end of an era in foreign economic policy in which through a combination of foreign aid and foreign trade policy actions, it has succeeded in rebuilding the economies of Western Europe and of Japan and affording access to the U. S. market of manufacturing, agricultural, and mineral suppliers from these and other areas of the world to such a degree that many sectors of the American economy have suffered as a result.

The United States industry manufacturing flat glass is one such sector. The industry has seen its share of the United States market curtailed and its access to the export market diminished.

To assist in an understanding of the impact of past and present foreign trade policy on the United States flat glass industry as a means of gaining insight into the reform in policy which is required in the achievement of a foreign trade policy for the future which will advance the national interest, we shall present

an overview of the economic changes which have been experienced by the industry during the past decade.

I. THE INTERACTION OF GOVERNMENT TRADE POLICY ACTIONS AND ECONOMIC CHANGE IN THE FLAT GLASS INDUSTRY, 1958-1967

The pre-trade agreement rates and the rates established under the Tariff Acts of 1922 and 1930 on the two principal categories, sheet and plate glass, were determined by a combination of exhaustive administrative and legislative procedures.

Subsequently, these rates of duty and the relationship of the duties established for the different categories of flat glass were sharply modified through trade agreement concessions.

As of March 1962, these scientifically established rates had been reduced by approximately 50%. In a sheet glass escape clause investigation, the Tariff Commission found, and the President by proclamation determined that these tariff reductions had caused or threatened serious injury to the domestic industry. President Kennedy, on a selective basis, partially restored the pre-trade agreement, scientifically established rates of duties, effective June 17, 1962.

Furthermore, in an escape clause investigation by the Tariff Commission, three of the six Commissioners found in May 1961 that *rolled glass* was being imported in such increased quantities as to cause or threaten serious injury to the domestic industry. Unfortunately, the three Commissioners were unable to agree as to the particular remedy required to correct the injury: two Commissioners recommended a restoration of the preconcession rates; the third Commissioner recommended an increase of duty amounting to less than a full restoration of the preconcession rates. This disagreement among the Commissioners as to remedy prevented President Kennedy from acting since under the law he was required to have the findings and recommendations of at least three Commissioners.

On January 11, 1967, duties on thin and heavy sheet glass were reduced to their pre-1962 level, while partially reduced escape clause rates continue to apply to single and double strength sheet glass. On October 11, 1967, President Johnson, on the basis of the national interest, extended the modified escape clause rates of duty applicable to single and double strength sheet glass until January 1, 1970.

The above-described Governmental actions related solely to one product of the flat glass industry. The other sectors of the industry have been no less seriously affected by imports under the reduced trade agreement rates. Notwithstanding this history, the U. S. negotiators agreed to reduce duties on rolled glass and plate glass by 50% in the Kennedy Round, despite the heavy and growing importation of these products under prevailing duties.

The cumulative effect of past actions by the Government in dealing with the import problems of the flat glass industry may be estimated by an examination of the economic changes which have occurred in the industry during the past decade. In particular, four reference points in time will be useful in considering these changes:

1. The average of 1958-1960 as a base period.
2. The year 1962, in which on June 17 President Kennedy placed into effect increased tariffs on sheet glass.
3. The year 1965, representing the peak of the industry's recovery with the benefit of the tariff increase.
4. The year 1967, in which on January 11 President Johnson terminated the increased tariffs on all but single and double strength window glass.

These data are presented in the following table.

TABLE I

ECONOMIC TRENDS IN THE U. S. FLAT GLASS INDUSTRY

	AVERAGE 1958-60	TARIFF INCREASE 1962	PEAK YEAR 1965	TARIFF REDUCTION 1967	% CHANGE 1958-60 to 1962	% CHANGE 1962 to 1965	% CHANGE 1965 to 1967
VALUE OF SHIPMENTS, ALL FLAT GLASS *(in millions of dollars)*	$490.6	$490.6	$676.4	$614.5	0.0%	+37.9%	-9.2%
of which -							
Sheet glass	111.1	126.4	140.6	131.6	+13.8%	+11.2%	-6.4%
Plate, float, rolled, & wire glass	157.1	159.5	213.7	200.5	+1.5%	+34.0%	-6.2%
Laminated, specially tempered, & other flat glass	222.4	204.7	322.1	282.4	-8.0%	+57.4%	-12.3%
EMPLOYMENT *(in thousands)*	32.2	30.4	32.3	30.7	-5.6%	+6.2%	-5.0%
AVERAGE WEEKLY HOURS, PRODUCTION WORKERS	40.1	38.3	42.5	42.0	-4.5%	+11.0%	-1.2%
AVERAGE HOURLY EARNINGS, PRODUCTION WORKERS	$3.09	$3.29	$3.52	$3.66	+6.5%	+7.0%	+4.0%
- Average Hourly Earnings, All Manufacturing	$2.19	$2.39	$2.61	$2.83	+9.1%	+9.2%	+8.4%
DOMESTIC MARKET *($ millions)*	$542.5	$546.9	$723.0	$669.0	+0.8%	+32.2%	-7.5%
IMPORTS, f.o.b. U. S. port *($ millions)*	$65.1	$71.8	$72.0	$89.0	+10.3%	+0.3%	+23.6%
EXPORTS, f.o.b. mill *($ millions)*	$13.2	$15.5	$25.4	$34.5	+17.4%	+63.9%	+35.8%
IMPORTS AS A % OF DOMESTIC MARKET	12.0%	13.1%	10.0%	13.3%	+9.2%	-23.7%	+33.0%
EARNINGS PERFORMANCE:							
Net Profit After Taxes as a % of Sales (Sheet Glass)	4.9%	1.1%	4.8%	2.7% (1966)	-77.6%	+336.4%	-43.8%
Gross Earnings,* All Flat Glass, as a % of Sales	35.8%	31.1%	38.1%	35.9%	-13.1%	+22.5%	-5.8%

* Sales less payroll and materials purchases, before payment of overhead, depreciation, and taxes.

SOURCE: Appendix Table A.

The conclusions of major importance to be drawn from the data in Table I are as follows:

1. President Kennedy's action in 1962 in partially withdrawing previous trade agreement concessions significantly strengthened the U. S. flat glass industry in its competition with foreign glass in the United States market.
2. President Johnson's action in January 1967 in restoring the concession rates on thin and heavy sheet glass contributed to a serious reversal of the domestic flat glass industry's economic position vis-à-vis foreign competition.

The share of the domestic market accounted for by imports indicated on Table I was derived in relation to the value of foreign-produced goods landed in the U. S. market compared with the value of domestic shipments minus exports. With the improved import-regulatory effect of President Kennedy's tariff increase, the ratio of imports to domestic market was brought to the level of 10% (in dollar terms) by 1965.

As Table I indicates, the President's action in partially restoring the earlier tariff cuts in January 1967 allowed import penetration to rise above the level of 13% of the domestic market.

These ratios, based upon value, somewhat understate the true extent of the import penetration. A more accurate measurement of the extent to which imports have captured an increasing share of the domestic market may be made in terms of physical units (square feet), the accepted unit of measure within the industry. For the same key reference points in time used in Table I, this measurement of import penetration in physical units is shown in the following table.

TABLE II

IMPORTS OF FLAT GLASS PRODUCTS IN RELATION TO APPARENT DOMESTIC CONSUMPTION, 1958-1967

(In thousands of square feet)

	AVERAGE 1958-1960	TARIFF INCREASE 1962	PEAK YEAR 1965	TARIFF REDUCTION 1967	% CHANGE *1958-60 to 1967*	% CHANGE *1965 to 1967*
Apparent Domestic Consumption	2,072,040	2,215,045	2,516,245	2,307,281	+11.3%	-8.3%
Imports	412,325	473,040	448,360	499,534	+21.2%	+11.4%
Ratio of Imports to Total Apparent Domestic Consumption	20.0%	21.3%	17.8%	21.7%	+9.5%	+23.0%

Source: Appendix Table D.

Even the 22% ratio of imports to domestic consumption 1967, which was the highest in the industry's history, does not adequately indicate the full significance of the import rise following the partial restoration of the reduced duties on flat glass. Comparison of the increases in imports and domestic consumption between 1958-60 and 1967 indicates that foreign-produced flat glass supplied nearly 40% of the total growth in the domestic market during this period.

Information for 1968 indicates that U. S. imports of flat glass during the first quarter of this year have bounded upward at an extraordinary rate.

1. Sheet glass imports during the first quarter of 1968 totaled 1.8 million boxes (50 square feet per box). Last year in the first quarter, 1.2 million boxes were received. The per cent change this year versus last year: up 51%.
2. Plate and float glass imports during the first quarter of 1968 totaled 42.0 million square feet. Last year imports during the first quarter totaled 29.5 million square feet. This is a 42% increase, almost as great as that in sheet glass — and truly alarming in its proportions.

This is not a case in which imports are filling a need which cannot be supplied by an industry producing at the limit of its capacity. On the contrary, the imports of sheet glass have increased most heavily in the Western Zone of the United States — up 63% over last year — where a new flat glass manufacturing plant at Fresno, California, is operating far, far below its capacity. The seaport market regions are most heavily affected in sheet glass imports, with New York up 50% and Atlanta up 90%.

The same pattern exists in imports of plate and float glass products; imports of the Western Zone, chiefly from Japan and Taiwan, are up 62%.

It is evident that imports are causing disruption of the domestic flat glass market far beyond the scale which exists in other areas which have been the recipient of positive Governmental action.

The market penetration by imports of cotton textiles (10% in 1967) is held to a moderate rate of growth by the Long-Term Cotton Textile Arrangement. Import penetration of residual fuel oil is held at the approximate relationship of 12.2% of domestic production by mandatory import quotas.

Contrary to the affirmative action taken by the Executive Branch in extending the Long-Term Cotton Textile Arrangement and in maintaining in effect mandatory import controls on residual fuel oil, the Executive Branch by withdrawing the tariff increases on all but single and double strength window glass has altered the competitive position of foreign-produced and domestic glass in the U. S. market to the serious detriment of the U. S. industry.

II. FOREIGN PRODUCTION HAS CAPTURED A LARGE AND RISING SHARE OF THE UNITED STATES MARKET IN EACH OF THE MAJOR PRODUCT CATEGORIES OF FLAT GLASS

The disturbing degree of market penetration by imports of the domestic flat glass market which has again been precipitated by tariff action by the Executive inconsistent with the best interest of the domestic industry pervades each major sector of the flat glass market. The basic product categories of plate or float glass, sheet glass, and cast or rough rolled glass account for about 90% of the total flat glass consumption in the United States. Stepwise, import penetration is marching upward in these basic categories as shown by the following table.

TABLE III

IMPORT PENETRATION OF PRINCIPAL CATEGORIES OF THE UNITED STATES FLAT GLASS INDUSTRY

	1965	1966	1967
PLATE OR FLOAT GLASS			
- As % of Total U. S. Flat Glass Market	21.8%	21.9%	22.5%
- Share of U. S. Plate or Float Glass Market Supplied by Imports	7.9%	10.8%	12.3%
SHEET GLASS			
- As % of Total U. S. Flat Glass Market	62.5%	63.5%	63.5%
- Share of U. S. Sheet Glass Market Supplied by Imports	23.8%	26.3%	27.7%
CAST OR ROUGH ROLLED GLASS			
- As % of Total U. S. Flat Glass Market	3.5%	3.7%	3.4%
- Share of U. S. Cast or Rough Rolled Glass Market Supplied by Imports	31.6%	32.7%	32.3%
TOTAL OF ABOVE CATEGORIES			
- As % of Total U. S. Flat Glass Market	87.8%	89.1%	89.4%
- Share of Above Categories Supplied by Imports	20.1%	22.7%	24.0%

Source: Appendix Table E.

The steady increase in the share of the market captured by foreign products shown by the above table confronts the domestic industry with difficult yet urgent issues. Under the impact of the partial repeal of President Kennedy's escape clause action, taken by the Executive in January 1967, it is evident that market penetration of sheet glass is on the march and that this will be accelerated by the action now under consideration by the Government of removing the remainder of the escape clause rates in 1970.

The 50% reduction in duty agreed to by the United States in the Kennedy Round on plate and float glass and on other forms of flat glass other than sheet glass will speed up the deteriorating position of the U. S. industry in relation to foreign competition. These tariff reductions are very significant. When their effect in relation to all imports of flat glass is taken into account, the Kennedy Round duty reductions will result in a weighted average reduction in U. S. import duties of flat glass of 22%.

In combination, these Governmental actions will destroy completely the beneficial effects created for the industry through President Kennedy's escape clause action in 1962.

Despite the finding of three Tariff Commissioners in 1961 that the domestic industry producing rolled glass had been caused or threatened with serious injury by increasing imports, and in evident disregard of the fact that imports of cast or rolled glass in 1965 accounted for *32%* of domestic consumption, the U. S. negotiators agreed to a reduction somewhat in excess of 50% on the duties of cast or rolled glass in the Kennedy Round.

Can these consequences for a basic U. S. industry be defended on the ground of necessity or equity? This is a fair question which demands a fair answer.

To attempt an answer requires attention to the relative position of the U. S. flat glass industry in the export markets of the world, as well as a close look at the beneficiaries of this extraordinary largesse of U. S. Governmental action.

III. THE POSITION OF THE UNITED STATES FLAT GLASS INDUSTRY IN THE WORLD EXPORT TRADE

The beginning point in this consideration is the balance of trade of the United States in the products of the flat glass industry. Because of the significant difference in unit values of foreign-produced and domestically produced flat glass, the best approximation of our Nation's trade balance in flat glass products is achieved through a presentation of the data in physical units. This is supplied in the following table.

TABLE IV

U. S. FOREIGN TRADE IN PRODUCTS OF THE FLAT GLASS INDUSTRY, 1958-1967

(In thousands of square feet)

	AVERAGE 1958-1960	TARIFF INCREASE 1962	PEAK YEAR 1965	TARIFF REDUCTION 1967	% CHANGE 1958-60 to 1967	% CHANGE 1965 to 1967
Imports	412,325	473,040	448,360	499,534	+21.2%	+11.1%
Exports	29,467	44,448	51,218	63,298	+114.8%	+23.6%
Deficit Balance of Trade	382,858	428,592	397,142	436,236	-13.9%	-9.8%

Source: Appendix Table B.

The perspective required for a correct understanding of the rise in exports shown by the above table is supplied by the fact that by 1967 nearly 71%, or 45 million square feet, of flat glass exports were shipped to Canada primarily for use by subsidiaries of U. S. producers, and in the form of laminated glass for use in automobile production.

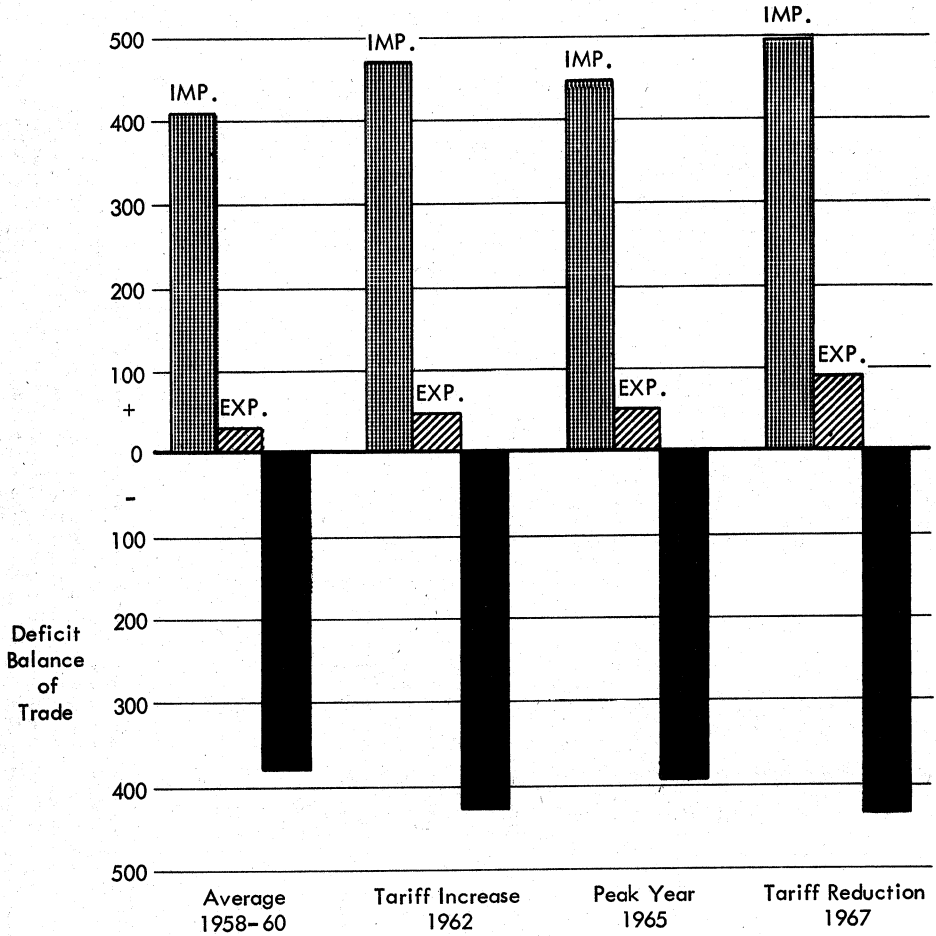
The first category of exports is essentially interplant transfers; the second category is accounted for by the duty-free treatment accorded articles used in the assembly of automobiles in the realignment of automobile production pursuant to the Automotive Trade Agreement. These exports are not indicative of the competitive position of the U. S. flat glass industry generally in the world export trade.

Even when full allqwance is made for these Canadian special category exports, the U. S. industry's total export performance is dwarfed by the access which our trade policy has afforded foreign flat glass products in the United States market. The net result of this import-export relationship and the growing deficit in our flat glass foreign trade is shown on the following chart.

CHART I

UNITED STATES BALANCE OF FOREIGN TRADE IN

UNITED STATES BALANCE OF FOREIGN TRADE IN PRODUCTS OF THE FLAT GLASS INDUSTRY, 1958-1967
(In Millions of Square Feet)



Source: Appendix Table B

The next point of observation in evaluating the relative position of the U. S. flat glass industry with its foreign competitors requires a comparison of U. S. flat glass exports with those of the other principal flat glass producing countries. This comparison is made in the following table.

TABLE V

WORLD EXPORTS BY PRINCIPAL PRODUCING COUNTRIES OF PRODUCTS OF THE FLAT GLASS INDUSTRY

(In thousands of U. S. dollars)

	1960	% of Total	1967	% of Total
United States	$ 14,251	7.1%	$ 38,469	12.6%
of which, Canada	*8,512*	*4.2%*	*25,057*	*8.2%*
Other	*5,739*	*2.9%*	*13,412*	*4.4%*
Japan	7,421	3.7%	19,054	6.3%
Belgium-Luxembourg	91,696	45.5%	111,779	36.7%
West Germany	29,693	14.7%	52,047	17.1%
France	25,376	12.6%	41,203	13.5%
United Kingdom	32,939	16.4%	42,102	13.8%
TOTAL, ABOVE	$201,376	100.0%	$304,654	100.0%

Source: Appendix Table F.

On a dollar basis, excluding the trade with Canada which is so heavily influenced by the U. S.-Canadian Automotive Products Agreement, the United States in 1967 accounted for less than 5% of world exports of flat glass.

It is obvious from the above table that the four Western European nations dominate world trade in flat glass and that Japan is boosting her participation in world exports of flat glass more rapidly than the United States (as to countries other than Canada).

A study of OECD data for the first 6 months of 1967, given in physical units (metric tons), corroborates the above information. See Appendix Tables K and L.

The United States, the United Kingdom, Belgium, France, Germany, and Japan exported a total of 189,454 metric tons of sheet glass during the first 6 months of 1967, with each country supplying the following proportions:

UNITED STATES	1.5%
UNITED KINGDOM	11.0%
BELGIUM	43.8%
FRANCE	9.9%
GERMANY	23.4%
JAPAN	10.3%

In plate and float glass, these 6 countries during the first 6 months of 1967 exported 147,700 metric tons of product. Each country accounted for the following share of this total:

UNITED STATES	13.5%
UNITED KINGDOM	19.4%
BELGIUM	25.3%
FRANCE	17.0%
GERMANY	11.6%
JAPAN	13.2%

Of the U. S. exports, 72% were destined to Canada, without which the U. S. share of world exports of plate and float glass was 4.1%.

In addition, the average unit value (dollars per metric ton) of U. S. flat glass in the export trade is shown by the OECD data to be considerably above that of the other producers, a further indication of the inability of the U. S. industry to compete to any significant degree in the world market for flat glass.

The other side of the coin on the world trade picture can be seen through an analysis of the OECD data on imports of flat glass by the countries which are the principal producers of flat glass. During the first 6 months of 1967, these countries imported in aggregate a total of 118,581 metric tons of sheet glass. Of the total, each country accounted for the following share:

UNITED STATES	74.3%
UNITED KINGDOM	14.5%
BELGIUM	2.0%
FRANCE	4.5%
GERMANY	4.3%
JAPAN	0.5%

This pattern is repeated, though not in as extreme a degree, for the aggregate imports of 71,022 metric tons of plate and float glass by the principal producers:

UNITED STATES	45.0%
UNITED KINGDOM	8.0%
BELGIUM	12.5%
FRANCE	10.1%
GERMANY	23.8%
JAPAN	0.5%

These data clearly document the inequitable position of the U. S. in world trade in flat glass. Accounting for less than 2% of the exports of the principal producing countries of sheet glass, the United States is forced, as a result of our Government's past tariff actions, to accept 74% of the total imports of sheet glass accounted for by the principal producers.

Can a foreign trade policy be regarded as wise, balanced, or in the national interest which in the face of an inability on the part of one of the Nation's basic industries to participate on any but a very minor scale in world exports, opens wide the domestic market to the foreign industry so that it may extend its domination, already enjoyed in other world markets, to the only market available in significant degree to the domestic industry?

The third point of observation in determining the future prospects of the U. S. flat glass industry in the light of the Nation's existing foreign economic policy involves a closer look at the composition of U. S. foreign trade in flat glass. By a systematic examination of the origin and destination of U. S. foreign trade in flat glass, additional insight may be gained concerning the competitive position of the U. S. industry. Table G in the Appendix provides the facts required for such an examination.

The principal sources of demand for flat glass are in building and home construction and in automobiles. The principal demand for new building and home construction and automobiles is centered in the developed countries.

The dramatic fact which emerges from the data in Appendix Table G is that the United States has a significant deficit in its foreign trade in flat glass with developed countries (Europe and Japan) and, apart from Canada, only very limited success in exporting to the less-developed countries of the world. The United States industry exports less to all of Europe than it does to South America, but its exports to South America are so small that its status as our large export market outside of Canada eloquently restates the recurrent theme of this analysis; namely, that world export markets are no haven for U. S. production being preempted on a massive scale from the domestic market by rising imports from Europe and Japan.

Can a wise U. S. foreign trade policy for the future assume the availability of export markets for the productive resources of U. S. capital and labor which are dislodged from the American market by efficiently produced, low-wage foreign products?

IV. THE PRINCIPAL BENEFICIARIES OF U. S. FOREIGN TRADE POLICY IN FLAT GLASS ARE A SMALL GROUP OF NATIONAL MONOPOLIES AND CARTELS WHICH DOMINATE WORLD EXPORT TRADE THROUGH ANTICOMPETITIVE PRACTICES.

The final point of observation in a reasoned quest for an understanding of the position and dilemma of the U. S. flat glass industry is an identification of the actual beneficiaries of the national trade policy which accords preferential status in the U. S. market to foreign products.

The recently issued report of the Monopolies Commission of the United Kingdom on *The Supply of Flat Glass*[1] supplies this identification in factual detail: There are in the non-Communist world, other than in the United States, only the following manufacturers or groups engaged in the large-scale production of flat glass:

1. In the United Kingdom, the Pilkington group.
2. In Europe, the Compagnie de Saint-Gobain (St. Gobain) and the Glaverbel/Boussois/Delog group.
3. In Japan, the Asahi Glass Co. Ltd., Nippon Sheet Glass Co. Ltd., and Central Glass Co. Limited.

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[1] Her Majesty's Stationery Office, London, ordered by the House of Commons to be printed 7th February 1968.

Not only were the foreign trade decisions of the United States affecting flat glass tariffs unjustified on the basis of need or the comparative position of U. S. and foreign industries; they were most inadvisable in view of the fact that the benefit conferred was upon a monopoly in the United Kingdom, a cartel in Europe which establishes export quotas and controls export prices, and a cartel in Japan which also coöperates in export pricing to penetrate the United States market.

More specific details on the operation of these cartels are included in Exhibit 2 of the Appendix. Suffice it to say that these foreign cartels have succeeded in reducing export prices for flat glass to levels at which the United States cannot compete.

The conduct of this campaign to take over the U. S. market has therefore, been assisted by the trade agreement actions of the United States Government. In contrast to the policies observed in the United Kingdom, Western Europe, and Japan, which support and protect their home flat glass industries through the use of governmentally imposed import quotas and high rates of duties, the United States Government has seemingly adopted the tentative position that its own flat glass industry is expendable in the name of "free trade" notwithstanding the importance of the industry's products as essential manufacturing materials.

Can a foreign trade policy be regarded as wise and in the national interest which disregards the anticompetitive and restrictive trade practices of foreign monopolies and cartels in curtailing U. S. exports, and which lays bare the American market for the benefit of the cartel pricing practices of the foreign groups intent upon a steady increase in the share of the United States market captured for their products?

V. GOVERNMENTALLY IMPOSED NONTARIFF BARRIERS ENHANCE THE DOMINANT COMPETITIVE POSITION OF FOREIGN PRODUCERS OF FLAT GLASS

Appendix Table I presents and Appendix Table J summarizes, from Government sources, available data concerning the existence of nontariff barriers applicable to U. S. exports and export rebates applicable to U. S. imports of flat glass. Every producing country in Western Europe imposes a border tax on imports and fosters the exportation of its flat glass through the remission of internal taxes. The manner in which this system operates is illustrated by the hypothetical example given in Exhibit 3 of the Appendix. The example demonstrates why the American exporter must set a considerably higher delivery price than his European counterpart even where there is a superficial equality of access for U. S. producers to a foreign market and for foreign producers to the U. S. market as measured by the duty level.

Japan continues to hold imports of flat glass in check through a system which combines the power to require import licenses, to subject imports to quotas, and to limit the availability of foreign exchange for flat glass imports.

Under these circumstances it is essential that our Government realize that tariff concessions granted by the United States on imports of flat glass accrue to a few large monopolistic aggregations of producers in Western Europe and Japan who are quite prepared, when the U. S. flat glass industry is driven from the scene, to charge all that the traffic will bear on exports to the United States. The United States flat glass industry is already handicapped by higher manufacturing costs than prevail in either Japan or Europe, as is evidenced abundantly by the import and export trends previously discussed.

The U. S. industry is effectively precluded from gaining access to the markets dominated by the European and Japanese monopoly-cartels. Past Government policy has strengthened the competitive position of these European and Japanese monopoly-cartels in their objective to take over the United States market.

VI. FOREIGN TRADE POLICY OF THE UNITED STATES HAS ADVERSELY AFFECTED EMPLOYMENT IN THE FLAT GLASS INDUSTRY

The flat glass industry pays wages which are among the highest paid by industries in the United States. In 1967, the average hourly earnings for production workers in the flat glass industry reached a level of $3.66 an hour, excluding fringe benefits, or 30% above the average hourly wage earnings for all manufacturing industries.

This high wage characteristic of the flat glass industry is of significance because the industry's plants are predominantly located in the poverty-stricken areas of the United States. Of a total of 23 flat glass plants in operation during 1967, 13 were located either in the Appalachian poverty belt or in areas which have been designated by the U. S. Department of Labor as areas of substantial unemployment.

In considering the question of the extension of escape clause tariff rates to imports of sheet glass, Vice Chairman Sutton of the U. S. Tariff Commission stated that the duties must be maintained – "at least until the effect of the partial restoration of rates already effective can be ascertained and until economic conditions in these communities have materially improved."[2]

Despite its potential for creating and maintaining high-paying jobs, employment in the U. S. flat glass industry has continued to decline in the wake of previously stated events.

As of March 1968, total employment in the U. S. flat glass industry was 30,500 compared with 32,300 in March 1967 and 32,800 in March 1966. The high point in the industry's employment was reached in March 1959 at 36,700 workers, according to BLS data.

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2 United States Tariff Commission, *Sheet Glass*, TC Publication 215, September 1967, p. 10.

Officials of the U. S. Department of Commerce, the Small Business Administration, and the U. S. Department of Labor have visited flat glass factories in Fresno, California; Shreveport, Louisiana; Henryetta and Okmulgee, Oklahoma; and Charleston and Clarksburg, West Virginia. The stated purpose of these visits was to enable the Government representatives as part of a task force appointed by President Johnson "to search for alternate employment and to take other steps which will work out long-term solutions to the problems created by job dislocation."

At each plant, the Government representatives met with representatives of labor and management, and in some instances with other leaders in the communities in which the plants are located. Without exception, the labor, management, and civic representatives conveyed the determination of the affected members of each community to keep the flat glass plants in existence because of their importance to the economic life of their communities and because of the practical impossibility of retraining the highly paid flat glass workers for comparably remunerative employment in their communities.

The size of the work force and the payrolls represented by these flat glass plants were shown to be of such importance to the business, commercial, and cultural life of these communities that their elimination through deliberate tariff action by the United States was totally unacceptable to the workers and to the community leaders, as well as to management of the plants.

The loss of employment in the communities in which flat glass plants are located as a result of the continuing gross inbalance in U. S. foreign trade in flat glass can be measured. By relating the plant shipments of flat glass to total employment in the flat glass industry, it is possible to derive a general indication of the amount of employment associated with each thousand square feet of plant shipments of flat glass. When this factor is applied to the square foot equivalent of flat glass moving in foreign trade, an approximation of the United States employment counterpart of these imports and exports may be derived.

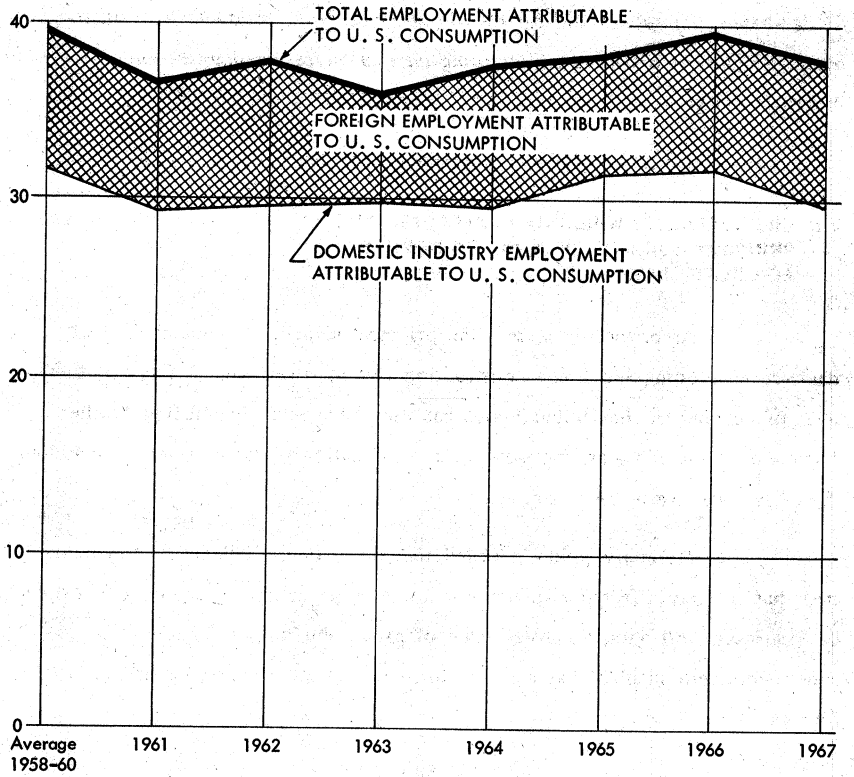
On this basis, in 1967 the net balance of employment attributable to United States foreign trade in flat glass was a deficit of 7,268 jobs. The employment equivalent of imports exceeded the employment equivalent of exports by that amount.

At the prevailing average wage, this loss of 7,268 jobs in 1967 as a result of the deficit in U. S. foreign trade in flat glass represented a loss of payroll for the communities in which the industry's plants are located of $56 million.

The impact of the foreign trade deficit in flat glass upon employment in the industry is illustrated in the following chart.

CHART 2

EMPLOYMENT EQUIVALENT OF UNITED STATES FLAT GLASS CONSUMPTION, 1958–1967
(Thousands of Employees)



Source: Appendix Table H

Can a foreign trade policy be regarded as wise and in the national interest which refrains from the regulation of excessive imports which threaten high-paying jobs in economically depressed communities to accord preferential access to the United States market to a small group of foreign-based monopolies and cartels who exclude U. S. products from their territories and are intent upon capturing an ever-increasing share of the American market?

VII. CIRCUMSTANCES WHICH HAVE AFFECTED THE PRINCIPAL SOURCES OF DOMESTIC DEMAND FOR FLAT GLASS

As previously stated, the principal sources of demand for flat glass are in building and home construction and in automobiles. Each of these areas of demand in the United States has now been severely affected to the detriment of the flat glass industry by a combination of circumstances, including the effect of Governmental actions.

Monetary policy adopted to cope with the balance of payments crisis has severely affected building and home construction. According to official U. S. Government data, the total value of private building and residential construction put in place has steadily declined during the past 3 years, as follows:

1965 —— $43.2 Billion
1966 —— $42.4 Billion
1967 —— $41.7 Billion

Factory sales of domestically produced automobiles declined from 9.9 million in 1966 to 8.5 million in 1967, while imports rose from 0.96 million to 1.1 million. Thus far in 1968 imports have accounted for 10.5% of the total U. S. new car market, compared with 9.2% for all of 1967 and 7.3% in 1966 (*Wall Street Journal*, March 22, 1968, "Detroit versus Imports"). The U. S.

import duty on automobiles was reduced in the Kennedy Round from 6.5% to 3% *ad valorem*, a factor which can only serve further to stimulate the importation of automobiles and an increase in the share of the U. S. market accounted for by foreign-produced vehicles.

The sluggish demand which has resulted from these circumstances is being filled increasingly by foreign supply of flat glass. Domestic policy, influenced by the Nation's general foreign trade policy, is working hand in hand with the specific foreign trade actions directed to flat glass to injure the flat glass industry and to destroy the jobs of thousands of its employees.

CONCLUSION AND RECOMMENDATIONS

Past and present U. S. foreign trade policy and its administration have stimulated U. S. imports of flat glass and strengthened the competitive position of foreign-produced flat glass in the American market to a degree that makes foreseeable – indeed, imminent – the discontinuance of production by the smaller U. S. manufacturers of flat glass and the transfer of future plant capacity and employment by the larger manufacturers to foreign countries.

The principal beneficiaries of this U. S. policy and administration have been the foreign organizations which have a monopoly or which through a cartel dominate the production and sale of flat glass in the United Kingdom, Western Europe, and Japan. The superior competitive strength and the anticompetitive measures of the foreign producers have been facilitated in their operation within the American market by export rebates, while the home markets of these groups have been kept relatively immune from U. S. competition through border taxes and concerted pricing policies of the foreign producers.

An essential and basic U. S. manufacturing industry, that engaged in the production of flat glass, will have no alternative under a continuation of such policies and administration but to terminate a portion of the manufacturing

facilities in the United States and to transfer productive capacity and employment from the United States to low-wage foreign countries.

This state of affairs has come about because of a lack of balance in U. S. foreign trade policy which emphasizes the removal of U. S. tariffs and other import-regulating means without regard to the impact of such actions upon efficiently conducted U. S. manufacturing industries and the employment provided by such industries. It has occurred because of the failure of existing procedures for foreign trade policy administration adequately to identify the true competitive relationship between U. S. and foreign industries, including a complete and sensitive evaluation of the total array of trade-inhibiting measures, public and private, which benefit and protect the position of foreign producers in competing against U. S. manufacturers in the domestic and export markets.

A trade policy is required for the future which accepts the necessity of maintaining and fostering the economic welfare and competitive strength of basic and essential U. S. manufacturing industries and in contributing to the standard of living and welfare of the workers of these industries and the communities in which they are located.

With these criteria in mind, the flat glass industry supports H. R. 13631 and H. R. 13845, which through flexible quotas would provide equitable access to both domestic and foreign produced flat glass in the U. S. market. Recognizing that other basic manufacturing industries are in comparable positions, we also support H. R. 17674, an omnibus import control measure introduced by Mr. Collier of this Committee.

H. R. 17674 would directly impose import quotas on steel, electronic products, footwear, meat products, and flat glass equal to the average annual imports, 1965-1967. It would provide a general procedure under which the products of other industries could be subjected to mandatory import quotas upon proof of import penetration comparable to that which exists in the named industries.

The import quotas established under the bill would be subject to adjustment annually in proportion to the growth of the domestic market. Quotas would be allocated by commodity and by country in accordance with the composition of our imports during a representative period. Departures could be made from this allocation to take into account recent developments in the import trade.

Of fundamental importance in view of U. S. commitments under GATT, H. R. 17674 would grant authority to the President under firm guidelines to enter into trade agreements with countries whose trade with the United States would be affected by the statutory quotas so as to modify such quotas by agreement. This aspect of the bill is patterned after the precedent established within GATT by the negotiation of the Short-Term and Long-Term Cotton Textile Arrangements. The agreement of the affected nations to those arrangements eliminated any standing which they might have to demand compensation or to retaliate under GATT.

H. R. 17674 does not directly deal with textiles in view of the bills sponsored by the Chairman and other members of this Committee pertaining to textile import quotas. H. R. 17674 appears to our industry to be preferable to other pending import quota bills because it provides for participation by the President through the trade agreement technique in making adjustments in the statutory quotas in recognition of the realities of our Nation's trade agreement commitments.

No other nation in the world ignores the legitimate needs of its domestic manufacturing industries to the extent as has become the case in the United States under the present and past administration of our foreign trade policy. A change is long overdue.

APPENDIX

EXHIBIT 1

U. S. PRODUCERS OF FLAT GLASS

American Saint Gobain Corporation	Kingsport, Tennessee
Fourco Glass Company	Clarksburg, West Virginia
Libbey · Owens · Ford Glass Company	Toledo, Ohio
Mississippi Glass Company	St. Louis, Missouri
PPG Industries, Inc.	Pittsburgh, Pennsylvania

FLAT GLASS PLANTS

Arkansas
- Fort Smith

California
- Fresno
- Fullerton
- Lathrop

Illinois
- Decatur
- Ottawa

Louisiana
- Shreveport

Maryland
- Cumberland

Missouri
- Crystal City
- St. Louis

Ohio
- Mt. Vernon
- Rossford
- Toledo

Oklahoma
- Henryetta
- Okmulgee

Pennsylvania
- Arnold
- Creighton
- Floreffe
- Ford City
- Jeannette

Tennessee
- Kingsport

West Virginia
- Charleston
- Clarksburg

A–2

EXHIBIT 2

The report of the Monopolies Commission of the United Kingdom on *The Supply of Flat Glass** presents the following information on the operation of the Pilkington flat glass monopoly in the United Kingdom; the Compagnie de Saint-Gobain (St. Gobain) and the Glaverbel/Boussois/Delong which form a flat glass cartel in Europe; and the Asahi Glass Co., Ltd., Nippon Sheet Glass Co., Ltd., and Central Glass Co., Limited, three companies which make up a flat glass cartel in Japan.

The Japanese cartel is precluded from gaining major access to the market of the United Kingdom or Western Europe. The European cartel is restrained by agreement from penetrating the U. K. market above export quotas which are established by agreement between Pilkington and the European cartel. Only the United States market is freely open, and the benefit of the open-door policy which has been created by our Government is extended to foreign monopolistic aggregations which are able to charge any price they choose to progressively take over the United States market.

As stated in the report of the U. K. Monopolies Commission on flat glass, under a draft agreement between Pilkington and the producers of France, Belgium, and Germany,

> "broad quotas are laid down on a square footage basis for the total sheet exports of each national group, and the parties agree to observe common prices and conditions of sale in world export markets, each party's domestic market only being excepted. Although the agreement was never signed, we are told by Pilkington that its provisions have been loosely observed." [p. 12]

The effectiveness of this agreement for its beneficiaries is shown by the fact that, as reported by the Monopolies Commission,

> "In 1966 about nine per cent by value, and about eight per cent in terms of quantity, of the United Kingdom demand was met by imported glass, * * *." [p. 38]

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* Her Majesty's Stationery Office, London, ordered by the House of Commons to be printed 7th February 1968.

EXHIBIT 2–page 2

The roughly equal shares of the United Kingdom market supplied by imports, whether expressed in value or in quantity, as indicated by the above quotation, are in marked contrast to the situation previously discussed in the United States in which very low unit values for foreign products yield a much lower market penetration ratio by value than by quantity. The implication is clear that as a result of the working arrangement between Pilkington and the European cartels, prices are maintained at levels acceptable to the European and United Kingdom groups, and the actual volume of imports permitted into England is correspondingly controlled.

In addition to the cartel arrangement mentioned for sheet glass, the Monopolies Commission reported that the four principal overseas suppliers of float and plate glass are the Western European producers which charge identical delivered prices and have identical conditions of sale. Further, the Commission reported that the share of the Western European glass makers of the market in the United Kingdom has been much reduced, and those producers "like Pilkington itself, may be willing on occasion to dispose of surplus production by selling it abroad at a low margin of profit." [p. 77]

The result of Pilkington's monopoly position and the cartel agreement between the Western European flat glass producers and Pilkington is to reduce competition within the home market of each producer from other members of the cartels while leading to a concert of pricing and export actions on their part in disposing of their surplus production in the open markets of the world, the principal one of which is the United States.

EXHIBIT 3

OPERATION OF A SYSTEM OF BORDER TAXES AND REMISSION OF INTERNAL TAXES

Hypothetical example with respect to Germany

Assumption: *Rate of Duty* (15%) is the same for both the U. S. and Germany

European Goods Exported to the United States	*U. S. Goods Exported to Europe*	
100	100	Invoice price
10	15	Ocean freight and insurance
(15%) 15	(15%)	Customs duty - U. S., on foreign price
___	17.25	- Europe, on c.i.f. basis
125	132.25	Landed cost
0%	(10% of landed cost) 13.225	Value added equalization tax (border tax)
- 10% of invoice price	0%	Remission of value added tax on exports
115	145.475	

This example is significant because it points to the fact that even where there is a superficial equality of access for U. S. producers to a foreign market and for foreign producers to the U. S. market as measured by the duty level, the U. S. producer who undertakes to export to European markets must price his product with the realization that for every $100 of price an additional $45 in costs, duties, and taxes will be incurred and must be absorbed in setting a competitive delivered price. By contrast, his European counterpart competing within the United States market is subject only to a cost and duty burden of $15 for every $100 of invoice price — one-third the border "barrier" the American goods encounter in seeking to move into Europe.

Exhibit 4: Statistical Appendix

APPENDIX TABLE A

BASIC ECONOMIC DATA FOR THE U. S. FLAT GLASS INDUSTRY, 1958-1967

	AVERAGE 1958-60	1961	1962 (Tariff Increase 6/17/62)	1963	1964	1965 (Peak Year)	1966	1967 (Tariff Increase Terminated in Part on 1/11/67)	% CHANGE: Average 1958-60 to 1967	% CHANGE: 1965 to 1967
VALUE OF SHIPMENTS, FLAT GLASS INDUSTRY[1] (S.I.C. 3211) *($ millions)*	$490.6	$448.4	$490.6	$549.3	$569.4	$676.4	$638.1	$614.5	+25.3%	-9.2%
of which -										
Sheet glass[2]	$111.1	$111.0	$126.4	$141.5	$144.8	$140.6	$138.6	$131.6	+18.5%	-6.4%
Plate, float, rolled, & wire glass[3]	$157.1	$149.5	$159.5	$175.8	$180.2	$213.7	$206.4	$200.5	+27.6%	-6.2%
Laminated, specially tempered, & other flat glass (not including products of establishments using purchased glass as raw material)[4]	$222.4	$187.9	$204.7	$232.0	$244.4	$322.1	$293.1	$282.4	+27.0%	-12.3%
OUTPUT, FLAT GLASS INDUSTRY (1957-59 = 100)[5]	102.8	104.2	113.0	120.5	137.0	151.2	167.2	159.7		
WHOLESALE PRICE INDEX (1957-59 = 100)[6]	99.3	96.8	97.0	98.3	102.4	100.9	100.7	105.0		
NET PROFIT AFTER TAXES AS % OF SALES:										
Sheet Glass[7]	4.9%	0.3%	1.1%	4.1%	6.5%	4.8%	2.7%			
All Manufacturing[8]	4.5%	4.3%	4.5%	4.7%	5.2%	5.6%	5.6%	5.0%		
GROSS EARNINGS *(sales less payroll and materials purchases, before payment of overhead, depreciation, and taxes)* AS % OF SALES:										
Sheet Glass[9]	35.8%	30.8%	31.1%	35.0%	35.8%	38.1%	32.4%	35.9%	+0.3%	-5.8%
EMPLOYMENT *(in thousands)*[10]	32.2	29.9	30.4	30.5	30.8	32.3	32.8	30.7	-4.7%	-5.0%
AVERAGE WEEKLY HOURS, PRODUCTION WORKERS[10]	40.1	38.7	38.3	40.0	41.9	42.5	42.6	42.0	+4.7%	-1.2%
AVERAGE HOURLY EARNINGS, PRODUCTION WORKERS[10]	$3.09	$3.17	$3.29	$3.38	$3.44	$3.52	$3.60	$3.66	+18.4%	+4.0%
- Average Hourly Earnings, All Manufacturing[10]	$2.19	$2.32	$2.39	$2.46	$2.53	$2.61	$2.71	$2.83	+29.2%	+8.4%
DOMESTIC MARKET *($ millions)*[11]	$542.5	$499.7	$546.9	$585.9	$622.3	$723.0	$686.6	$669.0	+23.3%	-7.5%
IMPORTS, f.o.b. U. S. port *($ millions)*[12]	$65.1	$64.5	$71.8	$53.1	$74.1	$72.0	$80.9	$89.0	+36.7%	+23.6%
EXPORTS, f.o.b. mill *($ millions)*[13]	$13.2	$13.2	$15.5	$16.5	$21.2	$25.4	$32.4	$34.5	+161.4%	+35.8%
IMPORTS AS A % OF DOMESTIC MARKET[14]	*12.0%*	*12.9%*	*13.1%*	*9.1%*	*11.9%*	*10.0%*	*11.8%*	*13.3%*	*+10.8%*	*+33.0%*

SOURCES:

1 U. S. Dept. of Commerce, Bureau of the Census, *Census of Manufactures, 1958, 1963,* and *Annual Survey of Manufactures 1959-1966.*
2 U. S. Dept. of Commerce, Bureau of the Census, *Facts for Industry Series,* BDSAF-375; *Current Industrial Reports,* Series BDSAF-375, M32A.
3 *Ibid.*
4 Value of shipments, flat glass industry less total of shipments of sheet glass and plate, float, rolled & wire glass.
5 Federal Reserve Board, Index of Industrial Production.
6 U. S. Dept. of Labor, Bureau of Labor Statistics, Wholesale Price Index.
7 1958-59, U. S. Tariff Commission, Publication 158, June 1965, Table 12, adjusted for Federal tax at 52%;
1961-66, U. S. Tariff Commission, Publication 215, September 1967, Table 12, adjusted for Federal tax at 48%.
8 FTC-SEC, *Quarterly Financial Report for Manufacturing Corporations.*
9 See Methodology Note.
10 U. S. Dept. of Labor, Bureau of Labor Statistics, *Employment and Earnings Statistics of the United States.*
11 Value of Shipments + Imports (f.o.b. U. S. port basis) - Exports (f.o.b. mill basis).
12 U. S. Dept. of Commerce, Burear of the Census; import data adjusted to add ocean freight and insurance at 19% per U. S. Tariff Commission publication February 7, 1967, *C. I. F. Value of Imports;* and to add import duties as calculated by U. S. Dept. of Commerce, *U. S. Commodity Exports, Imports As Related to Output, 1965 and 1964* and earlier issues, 1958-1963, and at the 1965 ratio of duties to import value (26.0%) for 1966. For 1967, duties calculated at 19.8% as per U. S. Dept. of Commerce, IM 146 for flat glass (Group 503B).
13 U. S. Dept. of Commerce, Bureau of the Census; export data adjusted from f.a.s. to f.o.b. by factor of 10% for inland freight, mill to port.
14 Imports, f.o.b. U. S. port, divided by Domestic Market.

METHODOLOGY NOTE:

Value of Shipments (first line) for Industry S.I.C. 3211 for 1967 derived by projecting 1966 data by % change 1966-67, in value of shipments of flat glass as reported in sources cited note 2 above.

Gross earnings for 1967 derived by projecting Value Added by Manufacture for 1966, as reported in *Annual Survey of Manufactures* for 1966, against the % change in Value of Shipments 1966-67 (1967 = $415.2 million), and subtracting total payroll from Value Added. Total payroll for 1967 derived by projecting 1966 payroll per *Annual Survey of Manufactures* for 1966 against the % change in average number of employees, average hourly earnings and average weekly hours for industry S.I.C. 3211 as reported in source cited note 10 above (Payroll 1967 =$193.3 million). Gross earnings = Value Added [sales - cost of materials] less total payroll. (Gross earnings 1967 = $220.4 million)

APPENDIX TABLE B

UNITED STATES FOREIGN TRADE IN PRODUCTS OF THE FLAT GLASS INDUSTRY, 1958-1967
(Quantity in thousands of square feet; Value in thousands of dollars)

	IMPORTS[1]		EXPORTS[2]		BALANCE OF TRADE	
	Quantity	*Value*[3]	*Quantity*	*Value*[4]	*Quantity*	*Value*
1958	308,964.4	$47,944.2	25,193.5	$11,489.8	-283,770.9	$-36,454.4
1959	507,241.7	79,168.2	35,337.4	15,305.2	-471,904.3	-63,863.0
1960	420,768.6	68,110.7	27,870.3	12,825.9	-392,898.3	-55,284.8
Average 1958-1960	412,324.9	65,074.4	29,467.1	13,207.0	-382,857.8	-51,867.4
1961	384,521.6	64,520.6	32,874.2	13,151.1	-351,647.4	-51,369.5
1962	473,039.5	71,767.0	44,447.8	15,450.8	-428,591.7	-56,309.2
1963	383,117.6	53,098.8	47,360.1	16,481.2	-335,757.5	-36,617.6
1964	487,774.4	74,097.7	68,040.0	21,172.8	-419,734.4	-52,924.9
1965	448,360.0	71,984.0	51,217.9	25,372.8	-397,142.1	-46,611.2
1966	495,690.0	80,874.8	63,017.0	32,437.9	-432,673.0	-48,436.9
1967	499,534.0	89,026.6	63,297.5	34,468.6	-436,236.5	-54,558.0
% Change:						
1958-60/1967	*+21.2%*	*+36.8%*	*+114.8%*	*+161.0%*	*-13.9%*	*-5.2%*
1965/1967	*+11.1%*	*+23.7%*	*+23.6%*	*+35.8%*	*-9.8%*	*-17.0%*

[1] 1965-1967: U. S. Department of Commerce, TSUS Commodity Categories 541.11-541.31, 542.11-542.98, 543.11-543.69, 544.11-544.17, 544.31, 544.41. (542.11-542.98, 544.11-544.17 import data in lbs. converted to sq. ft. @ 0.8620689 sq. ft./lb.; 544.41 import data in dollars converted to sq. ft. @ $1.65/sq. ft.)

1964: *All flat glass products excepting sheet glass*: U. S. Department of Commerce, TSUS Commodity Categories 541.11-541.31, 543.11-543.69, 544.31, 544.41 (544.41 import data in dollars converted to sq. ft. @ $1.65/sq. ft.). *Sheet glass:* U. S. Tariff Commission, *Sheet Glass*, TC Publication 215, September 1967; pound data converted to sq. ft. @ 0.8620689 sq. ft./lb.

(continued)

[1] *(continued)*

1958-1963: *All flat glass products excepting sheet glass:* U. S. Department of Commerce, Schedule A Commodity Categories 5220.000-5220.225, 5240.040-5240.405, 5250.200, 5250.400. (5240.400 and 5240.405 import data in pounds converted to sq. ft. at ratio of sq. ft./lbs. for 1967 movement under TSUS Commodity Category 541.11 [0.4538 sq. ft./lb.]; 5250.200 and 5250.400 import data in dollars converted to sq. ft. at ratio of value to quantity for Commodity Category 5250.300.) *Sheet glass:* U. S. Tariff Commission, *Sheet Glass*, TC Publications 110 and 215, September 1963, 1967, pound data converted to sq. ft. @ 0.8620689 sq. ft./lb.

[2] 1965-1967: U. S. Department of Commerce, Revised Schedule B Commodity Categories 664.0110-664.0130, 664.7000, 664.9110-664.9140.

1958-1964: U. S. Department of Commerce, Schedule B Commodity Categories 52121, 52151, 52170, 52180, 52201 [52170 (Laminated Glass) import data in dollars converted to sq. ft. at ratio of dollars to sq. ft. for January 1968 movement under Revised Schedule B Commodity Category 664.7040 (Laminated Glass)]. [Calculated ratio of 1 sq. ft. to $1.08612 deflated for all years by application of wholesale price index for industrial commodities appearing in *Statistical Abstract of the United States: 1967*, U. S. Department of Commerce, Table 497; 52201 (Colored Glass) import data in dollars converted to sq. ft. at 1958 ratio of sq. ft. to value of shipments for SIC Product 32111-25 (Tinted and Colored Glass) as per *1963 Census of Manufactures*, U. S. Department of Commerce. Calculated ratio of 100 sq. ft. to $15.5724 inflated for all years by application of wholesale price index for industrial commodities, *supra*.]

[3] Data adjusted to add ocean freight and insurance at 19% per U. S. Tariff Commission publication February 7, 1967, *C. I. F. Value of Imports*; and to add import duties as calculated by U. S. Department of Commerce, *U. S. Commodity Exports, Imports As Related to Output, 1965 and 1964*, and earlier issues, 1958-1963, and at the 1965 ratio of duties to import value (26.0%) for 1966. For 1967, duties calculated at 19.8% as per U. S. Department of Commerce, IM 146, for flat glass (Group 503B).

[4] Data adjusted from f.a.s. to f.o.b. by factor of 10% for inland freight, mill to port.

APPENDIX TABLE C

UNITED STATES SHIPMENTS, IMPORTS, AND EXPORTS OF PRODUCTS OF THE FLAT GLASS INDUSTRY (SIC 3211), 1958-1967

(In millions of dollars)

	SHIPMENTS: FLAT GLASS INDUSTRY SIC 3211								RATIO OF IMPORTS TO:	
	Sheet Glass[1]	*Plate, Float, Rolled, and Wire Glass*[1]	*Other Flat Glass*[2]	*Laminated*[3]	*TOTAL INDUSTRY*[4]	IMPORTS[5]	EXPORTS[6]	APPARENT DOMESTIC CONSUMPTION[7]	*Total Industry Shipments*	*Apparent Domestic Consumption*
1958	92.3	96.7	48.1	147.6	384.7	47.9	11.5	421.1	12.4%	11.4%
1959	134.5	199.2	81.4	142.3	557.4	79.2	15.3	621.3	14.2%	12.7%
1960	106.5	175.5	121.7	126.2	529.9	68.1	12.8	585.2	12.8%	11.6%
Average 1958-1960	111.1	157.1	83.7	138.5	490.6	65.1	13.2	542.5	13.3%	12.0%
1961	111.0	149.5	64.3	123.6	448.4	64.5	13.1	499.7	14.4%	12.9%
1962	126.4	159.5	89.5	115.2	490.6	71.8	15.4	546.9	14.6%	13.1%
1963	141.5	175.8	98.5	133.5	549.3	53.1	16.5	585.9	9.7%	9.1%
1964	144.8	180.2	112.2	132.2	569.4	74.1	21.2	622.3	13.0%	11.9%
1965	140.6	213.7	147.8	174.3	676.4	72.0	25.4	723.0	10.6%	10.0%
1966	138.6	206.4	118.0	175.1	638.1	80.9	32.4	686.6	12.7%	11.8%
1967	131.6	200.5	113.6*	168.8	614.5*	89.0	34.5	669.0	14.5%	13.3%
% Change:										
Avg. 1958-60/1967	*+18.5%*	*+27.6%*	*+35.7%*	*+21.9%*	*+25.3%*	*+36.7%*	*+161.4%*	*+23.3%*	*+9.0%*	*+10.8%*
1965/1967	*-6.4%*	*-6.2%*	*-23.1%*	*-3.2%*	*-9.2%*	*+23.6%*	*+35.8%*	*-7.5%*	*+36.8%*	*+33.0%*

* Value of Shipments derived by projecting 1966 data by % change 1966-67 in value of shipments of flat glasses reported in sources cited note 1.

[1] U. S. Department of Commerce, Bureau of the Census, *Facts for Industry Series*, BDSAF-375; *Current Industrial Reports*, Series BDSAF-375, MA32A.

[2] U. S. Department of Commerce, Bureau of the Census, *Annual Survey of Manufactures 1959-1966*. Value of Shipments of Product Classes 32112 and 32114 minus Value of Shipments of plate, float, rolled and wire glass as per source cited note 1.

[3] Sum of Total Industry Shipments (see note 4) minus sheet, plate, float, rolled, wire and other flat glass as per sources cited notes 1 and 2.

[4] U. S. Department of Commerce, Bureau of the Census, *Annual Survey of Manufactures 1959-1966*, General Statistics for Industry Groups and Industry.

[5] *Op. cit., supra*, Appendix Table B, footnotes 1 and 3.

[6] *Op. cit., supra*, Appendix Table B, footnotes 2 and 4.

[7] Total Industry Shipments plus Imports minus Exports.

APPENDIX TABLE D

UNITED STATES SHIPMENTS, IMPORTS, AND EXPORTS OF PRODUCTS OF THE FLAT GLASS INDUSTRY (SIC 3211), 1958-1967

(In thousands of square feet)

	SHIPMENTS: FLAT GLASS INDUSTRY SIC 3211								RATIO OF IMPORTS TO:	
	Sheet Glass[1]	*Plate, Float, Rolled, and Wire Glass*[1]	*Other Flat Glass*[2]	*Laminated*[3]	*TOTAL INDUSTRY*	IMPORTS[4]	EXPORTS[5]	APPARENT DOMESTIC CONSUMPTION[6]	*Total Industry Shipments*	*Apparent Domestic Consumption*
1958	895,000	218,771	56,842	121,779	1,292,392	308,964	25,194	1,576,162	23.9%	19.6%
1959	1,307,250	521,053	94,486	115,795	2,038,584	507,242	35,337	2,510,489	24.8%	20.2%
1960	1,036,900	455,629	141,265	102,775	1,736,569	420,769	27,870	2,129,468	24.2%	19.8%
Average 1958-1960	1,079,717	398,484	97,531	113,450	1,689,182	412,325	29,467	2,072,040	24.4%	20.0%
1961	1,040,180	388,003	74,950	103,312	1,606,445	384,522	32,874	1,958,093	23.9%	19.6%
1962	1,163,150	424,745	104,325	94,233	1,786,453	473,040	44,448	2,215,045	26.5%	21.3%
1963	1,248,400	476,242	114,936	109,319	1,948,897	383,118	47,360	2,284,655	19.7%	16.8%
1964	1,216,900	499,851	130,238	107,681	1,954,670	487,774	68,040	2,374,404	24.9%	20.5%
1965	1,203,900	605,552	169,437	140,214	2,119,103	448,360	51,218	2,516,245	21.2%	17.8%
1966	1,146,500	582,543	132,391	137,863	1,999,297	495,690	63,017	2,431,970	24.8%	20.4%
1967	1,066,700	547,193	123,527*	128,631*	1,866,051*	499,534	63,298	2,307,281	26.8%	21.7%
% Change:										
Avg. 1958-60/1967	*-1.1%*	*+37.3%*	*+26.7%*	*+13.4%*	*+10.5%*	*+21.5%*	*+114.8%*	*+11.3%*	*+9.8%*	*+9.5%*
1965/1967	*-11.4%*	*-9.6%*	*-27.1%*	*-8.3%*	*-11.9%*	*+11.4%*	*+23.6%*	*-8.3%*	*+26.4%*	*+23.0%*

* Shipments derived by projecting 1966 data by % change 1966-67 in *value of shipments* of flat glass reported in sources cited note 1.

[1] U. S. Dept. of Commerce, Bureau of the Census, *Facts for Industry Series*, BDSAF-375; *Current Industrial Reports*, Series BDSAF-375, MA32A.

[2] Value of Shipments as per Appendix Table C, converted to sq. ft. at weighted ratio of value to sq. ft. for commodity exports during January 1968 under Revised Schedule A Commodity Categories 664.7020 (Toughened Safety Glass), 664.9130 (Multiple-Walled Insulated Glass), and 664.9140 (Glass, NEC). Derived ratio of 1 sq. ft. to $0.9012 adjusted for all years prior to 1967 by application of wholesale price index for industrial commodities appearing in *Statistical Abstract of the United States: 1967*, U. S. Dept. of Commerce, Table 497.

[3] Value of Shipments as per Appendix Table C, converted to sq. ft. at ratio of value to sq. ft. for commodity exports during January 1968 under Revised Schedule A Commodity Category 664.7020 (Laminated Glass). Derived ratio of 1 sq. ft. to $1.2855 adjusted for all years prior to 1967 by application of wholesale price index for industrial commodities cited in note 2.

[4] *Op. cit., supra*, Appendix Table B, footnote 1.

[5] *Op. cit., supra*, Appendix Table B, footnote 2.

[6] Total Industry Shipments plus Imports minus Exports.

APPENDIX TABLE E

RATIO OF U. S. IMPORTS TO DOMESTIC CONSUMPTION AND SHIPMENTS OF FLAT GLASS, BY PRINCIPAL CATEGORIES

(In thousands of square feet)

	1965	1966	1967	% CHANGE 1965/1967
CAST OR ROUGH ROLLED GLASS				
Domestic Shipments[1]	61,809	62,374	54,245	-12.2%
Imports[2]	27,843	29,540	25,156	-9.7%
Exports[3]	1,680	1,643	1,519	-9.6%
Domestic Consumption[4]	87,972	90,271	77,882	-11.5%
Ratio of Imports to Domestic Shipments	45.0%	47.4%	46.4%	+3.1%
Ratio of Imports to Domestic Consumption	31.6%	32.7%	32.3%	+2.2%
PLATE OR FLOAT GLASS				
Domestic Shipments[1]	543,743	520,169	492,948	-9.3%
Imports[2]	42,974	56,073	63,542	+47.9%
Exports[3]	39,437	43,583	38,449	-2.5%
Domestic Consumption[4]	547,370	532,659	518,041	-5.4%
Ratio of Imports to Domestic Shipments	7.9%	10.8%	12.9%	+63.3%
Ratio of Imports to Domestic Consumption	7.8%	10.5%	12.3%	+57.7%
SHEET GLASS				
Domestic Shipments[1]	1,203,900	1,146,500	1,066,700	-11.4%
Imports[2]	373,984	406,847	405,506	+8.4%
Exports[3]	4,305	8,575	10,479	+143.4%
Domestic Consumption[4]	1,573,579	1,544,772	1,461,727	-7.1%
Ratio of Imports to Domestic Shipments	31.1%	35.5%	38.0%	+22.2%
Ratio of Imports to Domestic Consumption	23.8%	26.3%	27.7%	+16.4%

[1] Appendix Table D. (Cast or Rough Rolled Glass includes plate and float glass over 1/4" in thickness.)

[2] U. S. Department of Commerce, Bureau of the Census, *U. S. Imports for Consumption, Commodity and Country of Origin.* TSUSA Commodity Categories: Cast or Rough Rolled Glass, 541.11-541.31; Plate or Float Glass, 543.11-543.69; Sheet Glass, 542.11-542.98 (converted into sq. ft. @ 0.8620689 sq. ft./lb.), 544.11-544.17.

[3] U. S. Department of Commerce, Bureau of the Census, *U. S. Exports, Schedule B Commodity and Country.* Schedule B Commodity Categories: Cast or Rough Rolled Glass, 664.0130; Plate and Float Glass, 664.0120, 664.9120; Sheet Glass, 664.0110, 664.9110.

[4] Domestic Shipments plus Imports minus Exports.

APPENDIX TABLE F

WORLD TRADE BY PRINCIPAL GLASS PRODUCING COUNTRIES
IN PRODUCTS OF THE FLAT GLASS INDUSTRY
(In thousands of U. S. dollars)

	1960	1961	1962	1963	1964	1965	1966	1967
UNITED STATES								
Exports	$14,251	$14,612	$17,167	$18,312	$ 23,525	$28,142	$ 36,042	$ 38,469
Imports	51,288	48,366	52,043	36,849	51,314	49,664	55,776	64,184
JAPAN								
Exports	7,412	8,267	10,473	11,415	14,050	16,327	18,171	19,054
Imports	1,432	2,140	2,345	1,956	3,902	3,205	2,422	4,817
BELGIUM-LUXEMBOURG								
Exports	91,696	84,221	96,877	89,572	105,107	97,949	101,692	111,779
Imports	3,837	4,832	5,558	4,823	7,839	8,768	13,582	12,876
WEST GERMANY								
Exports	28,169	29,693	34,870	37,356	40,717	42,842	47,682	52,047
Imports	12,176	10,944	10,753	13,147	21,038	37,250	33,287	26,754
FRANCE								
Exports	25,376	32,033	35,928	37,246	42,964	48,342	45,661	41,203
Imports	4,247	4,375	7,268	8,336	10,899	12,751	15,783	22,143
UNITED KINGDOM								
Exports	32,939	28,707	34,424	34,433	42,481	40,321	40,305	42,102
Imports	7,705	8,608	9,083	10,909	14,672	12,428	12,562	15,273

SOURCE: United States, *op. cit., supra*, Appendix Table B, footnote 1.
All other countries: 1964-1966 - United Nations, SITC Commodity Categories 664.3-664.7, 664.9. 1960-1963 and 1967 - United Nations, SITC Commodity Category 664.0 adjusted to ratio of weighted average of SITC Commodity Categories 664.3-664.7, 664.9 to SITC Commodity Category SITC 664.0 for years 1964-1966 (1967 data for SITC Commodity Category 664.0 for each country represent annual rate based upon reported data for the following periods: Japan, Belgium-Luxembourg, West Germany, United Kingdom - January through March; France - January through September).

APPENDIX TABLE G

ORIGIN AND DESTINATION OF U. S. FOREIGN TRADE
IN FLAT GLASS, 1966
(In thousands of dollars)

COUNTRY OR GEOGRAPHIC AREA OF ORIGIN/DESTINATION	IMPORTS *(c.i.f.)*	EXPORTS *(f.o.b.)*	BALANCE OF TRADE
NORTH AMERICA	$ 3,176	$24,261	$ +21,085
Canada	3,067	21,602	+18,535
Mexico	104	2,038	+1,934
SOUTH AMERICA	$ 0	$ 2,640	$ +2,640
EUROPE	$49,652	$ 2,367	$ -47,285
EEC	38,197	1,822	-36,375
West Germany	*8,758*	*390*	*-8,368*
EFTA	7,965	393	-7,572
United Kingdom	*5,927*	*179*	*-5,748*
Other (non-Communist)	309	150	-159
Communist Countries	3,178	0	-3,178
Russia	*1,106*	*0*	*-1,106*
ASIA	$16,324	$ 1,346	$ -14,978
Middle East	891	493	-398
S. East and Southern	24	436	+412
Eastern	15,406	415	-14,991
Japan	*13,663*	*314*	*-13,349*
AUSTRALIA AND OCEANIA	$ 17	$ 1,656	$ +1,639
AFRICA	$ 5	$ 146	$ +141
TOTAL, GEOGRAPHIC AREAS	$69,174	$32,416	$ -36,758

SOURCE: Trade Relations Council of the United States, Inc.

APPENDIX TABLE H

EMPLOYMENT EQUIVALENT OF FOREIGN TRADE IN THE PRODUCTS OF THE FLAT GLASS INDUSTRY (SIC 3211), 1958-1967

	EMPLOYMENT (thousands)	PLANT SHIPMENTS (millions of sq. ft.)	TOTAL EMPLOYMENT PER MILLION SQUARE FEET SHIPMENTS	EMPLOYMENT EQUIVALENT OF: IMPORTS AT PLANT SHIPMENT SQ. FT. EQUIVALENT RATIO	EMPLOYMENT EQUIVALENT OF: EXPORTS AT PLANT SHIPMENT SQ. FT. EQUIVALENT RATIO	NET BALANCE OF EMPLOYMENT DUE TO FOREIGN TRADE
Average 1958-1960	32.2	1,689.2	19.06	7,859	562	-7,297
1961	29.9	1,606.4	18.61	7,152	612	-6,540
1962	30.4	1,786.4	17.02	8,051	756	-7,295
1963	30.5	1,948.9	15.65	5,996	741	-5,255
1964	30.8	1,954.7	15.76	7,687	1,072	-6,615
1965	32.3	2,119.1	15.24	6,721	780	-5,941
1966	32.7	1,999.3	16.36	7,940	1,031	-6,909
1967	30.7	1,866.1	16.45	8,309	1,041	-7,268
% Change 1965/1967	*-5.0%*	*-11.9%*				*-22.3%*

SOURCE: Employment, U. S. Department of Labor Statistics, *Employment and Earnings for the United States, 1909-66; Employment and Earnings, and Monthly Report on the Labor Force*, March issues 1967 and 1968.

Plant Shipments, *op. cit., supra*, Appendix Table D.

Import and Export data in square feet, *op. cit., supra*, Appendix Table B.

APPENDIX TABLE I

FOREIGN DUTIES (PRE-KENNEDY ROUND AND FINAL KENNEDY ROUND TRADE AGREEMENT RATES) AND NONTARIFF BARRIERS ON IMPORTS OF FLAT GLASS

(Excluding rates of duty not affected in Kennedy Round)

A. UNWORKED DRAWN OR BLOWN GLASS (INCLUDING FLASHED GLASS), IN RECTANGLES
Brussels Tariff Nomenclature (BTN) No. 70.05
Standard International Trade Classification (SITC) No. 664.3

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
EEC *(see individual countries for nontariff barriers)*	10%	6%
France *(Government Procurement Regulation. 20% Value Added Tax; Customs Stamp Tax, 2% of customs charges; export sales refunded Value Added Tax)*		
West Germany *(10% turnover equalization tax; export sales refunded this tax)*		
Italy *(0.5% customs administration fee; 4% turnover tax; 3.6% compensatory import tax; export sales refunded turnover tax)*		
Belgium *(11.5% transmission tax, refunded or exempt on export sales)*		
Netherlands *(8.8% turnover tax, refunded on export sales)*		
EFTA *(Member countries refund or exempt turnover taxes and value added taxes on export sales)*		
United Kingdom *(no border tax, etc.)*	15%	7.5%
Norway *(13.64% turnover tax. Govt. procurement regulation)*	0,24 Kr/kg.	0,20 Kr/kg.
Sweden *(11.11% turnover tax)*	18%	9%
Denmark *(12.5% value added tax)*	18%	14%
Austria *(10.6% turnover equalization tax)*	140 S/100 kg. (not over 30%); 18%, 22%; 140 S/100 kg. (gross weight)	110 S/100 kg. (not over 23%; 14%, 18%; 110 S/100 kg. (gross weight)
Switzerland *(5.4% turnover tax; statistical tax = 3% of customs duty)*	10 Fr/100 kg.	5 Fr/100 kg.
FINLAND *(12.4% turnover tax; refunded on export sales)*	35%	30% drawn glass 17% other
SPAIN *(13% compensatory import tax; imports prohibited on projects using government funds; export sales exempt or refunded compensatory import tax and export bonus given to compensate for higher costs in Spain; exporters enjoy special depreciation and investment reserve privileges)*		

(continued)

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A. UNWORKED DRAWN OR BLOWN GLASS (INCLUDING FLASHED GLASS), IN RECTANGLES BTN 70.05, SITC 664.3 (continued)

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
YUGOSLAVIA *(controlled by quotas: goods contingent, and global exchange quota. Also export incentives such as higher retention quotas, and depreciation allowances)*	8%	8%
ICELAND *(sales tax - not only on imports but not on exports)*	35%	35%
IRELAND *(must make special application for transfer of funds if over £ 2,000; 2.5% turnover tax or 5% wholesale tax; exports exempt from tax. New investments pay no tax on export profits for 10 years)*	60%	43.2%
CZECHOSLOVAKIA *(none; the state does the trading)* (Czech. No. 375)	range: 20 to 70 Crowns/100 kg.	range: 10 to 35 Crowns/100 kg.
JAPAN *(license required; no quota limitation; 1% or 5% license deposit required with license application; 0.5% to 1.5% expense deduction allowed on exports)*	range: 10% to 20%	range: 5% to 10%

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B. CAST, ROLLED, DRAWN OR BLOWN GLASS (INCLUDING FLASHED OR WIRED GLASS) IN RECTANGLES, SURFACE GROUND OR POLISHED, BUT NOT FURTHER WORKED
Brussels Tariff Nomenclature (BTN) No. 70.06
Standard International Trade Classification (SITC) No. 664.4

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
EEC *(see individual countries for nontariff barriers)*	10%	5%
France *(Government procurement regulation; 20% value added tax; customs stamp tax, 2% of customs charges; export sales refunded value added tax)*		
West Germany *(10% turnover equalization tax; export sales refunded this tax)*		
Italy *(0.5% customs administration fee; 4% turnover tax; 3.6% compensatory import tax; export sales refunded turnover tax)*		
Belgium *(7% or 11% transmission tax, refunded or exempt on export sales)*		
Netherlands *(10.4% or 11.9% turnover tax, refunded on export sales)*		
EFTA *(Member countries refund or exempt turnover taxes and value added taxes on export sales)*		
United Kingdom *(no border tax, etc.)*	15%	7.5%
Norway *(13.64% turnover tax; govt. procurement regulation)*	0,36 Kr/kg.	0,30 Kr/kg.
Sweden *(11.11% turnover tax)*	16%	8%
Denmark *(12.5% value added tax)*	Free	Free
Austria *(7.75% turnover equalization tax)*	140 S/100 kg.; 18%, 22%	70 S/100 kg.; 9%, 11%
Switzerland *(5.4% turnover tax; statistical tax = 3% of customs duty)*	10 to 16 Fr/ 100 Kg.	8 to 10 Fr/ 100 kg.
FINLAND *(12.4% turnover tax; refunded on export sales)*	35%	17% wire plate glass; 30% other
SPAIN *(13%*compensatory import tax; imports prohibited on projects using government funds; export sales exempt or refunded compensatory import tax and export bonus given to compensate for higher costs in Spain; exporters enjoy special depreciation & investment reserve privileges)*		

**9% or 13% on BTN 70.06*

(continued)

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B. CAST, ROLLED, DRAWN OR BLOWN GLASS (INCLUDING FLASHED OR WIRED GLASS) IN RECTANGLES, SURFACE GROUND OR POLISHED, BUT NOT FURTHER WORKED BTN 70.06; SITC 664.4 (continued)

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
YUGOSLAVIA *(controlled by quotas: goods contingent, and global exchange quota; also export incentives such as higher retention quotas, & depreciation allowances)*		
ICELAND *(sales tax - not only on imports; but not on exports)*	35%	35%
IRELAND *(must make special application for transfer of funds if over £ 2,000; 2.5% turnover tax or 5% wholesale tax; exports exempt from tax. New investments pay no tax on export profits for 10 years)*	60%	43.2%
CZECHOSLOVAKIA *(none; the state does the trading)* (Czech. No. 377 - polished)	range: 150 to 176 Crowns/ 100 kg.	range: 75 to 88 Crowns/100 kg.
JAPAN *(license required; quota limitation; 1% or 5% license deposit required with license application; administrative approval for allocation of foreign exchange; 0.5% to 1.5% expense deduction allowed on exports)*	25%	18%

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C. UNWORKED CAST OR ROLLED GLASS (INCLUDING FLASHED OR WIRED GLASS), WHETHER FIGURED OR NOT, IN RECTANGLES
Brussels Tariff Nomenclature (BTN) No. 70.04
Standard International Trade Classification (SITC) No. 664.5

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
EEC *(see individual countries for nontariff barriers)*	10%	5%
France *(government procurement regulation; 20% value added tax; customs stamp tax, 2% of customs charges; export sales refunded value added tax)*		
West Germany *(10% turnover equalization tax; export sales refunded this tax)*		
Italy *(0.5% customs administration fee; 4% turnover tax; 3.6% compensatory import tax; export sales refunded turnover tax)*		
Belgium *(7% transmission tax, refunded or exempt on export sales)*		
Netherlands *(8.8% turnover tax, refunded on export sales)*		
EFTA *(Member countries refund or exempt turnover taxes and value added taxes on export sales)*		
United Kingdom *(no border tax, etc.)*	15%	7.5%
Norway *(13.64% turnover tax; govt. procurement regulation)*		
Sweden *(11.11% turnover tax)*	16%	8%
Denmark *(12.5% value added tax)*	Free	Free
Austria *(13% turnover equalization tax)*	range 25%, 28%, 84 or 140 S/100 kg. (gross wt.)	20%, 65 or 110 S/100 kg. (gross wt.)
Switzerland *(5.4% turnover tax; statistical tax = 3% of customs duty)*	5 or 6 Fr/100 kg.	4 Fr/100 Kg.
FINLAND *(12.4% turnover tax; refunded on export sales)*	20%	10%
SPAIN *(9% or 13% compensatory import tax; imports prohibited on projects using government funds; export sales exempt or refunded compensatory import tax and export bonus given to compensate for higher costs in Spain; exporters enjoy special depreciation and investment reserve privileges)*		

(continued)

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C. UNWORKED CAST OR ROLLED GLASS (INCLUDING FLASHED OR WIRED GLASS), WHETHER FIGURED OR NOT, IN RECTANGLES
BTN 70.04; SITC 664.5
(continued)

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
YUGOSLAVIA *(controlled by quotas: goods contingent, and global exchange quota; also export incentives such as higher retention quotas, and depreciation allowances)*		
ICELAND *(sales tax - not only on imports; but not on exports)*	35%	35%
IRELAND *(must make special application for transfer of funds if over £ 2,000; 2.5% turnover tax or 5% wholesale tax; exports exempt from tax. New investments pay no tax on export profits for 10 years)*	60%	43.2%
CZECHOSLOVAKIA *(none; the state does the trading)* (Czech. No. 379 - wired)	128 Crowns/100 kg.	64 Crowns/100 kg.
JAPAN *(license required; no quota limitation; 1% or 5% license deposit required with license application; 0.5% to 1.5% expense deduction allowed on exports)*	15%, 20%	7.5%, 10%

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D. SAFETY GLASS CONSISTING OF TOUGHENED OR LAMINATED GLASS, SHAPED OR NOT
Brussels Tariff Nomenclature (BTN) No. 70.08
Standard International Trade Classification (SITC) No. 664.7

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
EEC *(see individual countries for nontariff barriers)*	18%	9%
France *(government procurement regulation; 20% value added tax; customs stamp tax, 2% of customs charges; export sales refunded value added tax)*		
West Germany *(10% turnover equalization tax; export sales refunded this tax)*		
Italy *(0.5% customs administration fee; 4% turnover tax; 3.6% compensatory import tax; export sales refunded turnover tax)*		
Belgium *(14% transmission tax, refunded or exempt on export sales)*		
Netherlands *(10.4% turnover tax, refunded on export sales)*		
EFTA *(Member countries refund or exempt turnover taxes and value added taxes on export sales)*		
United Kingdom *(no border tax, etc.)*	17.5%, 20%	10%
Norway *(13.64% turnover tax; government procurement regulation)*	0,24 or 0,36 Kr/ kg.	0,12 or 0,18 Kr/ kg.
Sweden *(11.11% turnover tax)*	16% to 20%	9%, 10%
Denmark *(12.5% value added tax)*	10%	6%
Austria *(13% turnover equalization tax)*	22%, 27%	18%
Switzerland *(5.4% turnover tax; statistical tax = 3% of customs duty)*	20 Fr/100 kg.; 30 Fr/100 kg.; 50 Fr/100 kg.	20 Fr/100 kg.; 20 Fr/100 kg.; 30 Fr/100 kg.
FINLAND *(12.4% turnover tax; refunded on export sales)*	15%, 35%, 35%	7.5%, 17%, 30%
SPAIN *(13% compensatory import tax; imports prohibited on projects using government funds; export sales exempt or refunded compensatory import tax and export bonus given to compensate for higher costs in Spain; exporters enjoy special depreciation and investment reserve privileges)*	30%	21%

(continued)

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D. SAFETY GLASS CONSISTING OF TOUGHENED OR LAMINATED GLASS, SHAPED OR NOT
BTN 70.08; SITC 664.7
(continued)

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
YUGOSLAVIA *(controlled by quotas: goods contingent, and global exchange quota. Also export incentives such as higher retention quotas, and depreciation allowances)*		
ICELAND *(sales tax - not only on imports; but not on exports)*	50%	50%
IRELAND *(must make special application for transfer of funds if over £ 2,000; 2.5% turnover tax or 5% wholesale tax; exports exempt from tax. New investments pay no tax on export profits for 10 years)*		
CZECHOSLOVAKIA *(none; the state does the trading)*		
JAPAN *(license required; no quota limitation; 1% or 5% license deposit required with license application; 0.5% to 1.5% expense deduction allowed on exports)*	25%	12.5%

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E. CAST, ROLLED, DRAWN OR BLOWN GLASS (INCLUDING FLASHED OR WIRED GLASS) CUT TO SHAPE OTHER THAN RECTANGULAR SHAPE, OR BENT OR OTHERWISE WORKED (FOR EXAMPLE, EDGE WORKED OR ENGRAVED), WHETHER OR NOT SURFACE GROUND OR POLISHED; MULTIPLE-WALLED INSULATING GLASS; LEADED LIGHTS AND THE LIKE
Brussels Tariff Nomenclature (BTN) No. 70.07
Standard International Trade Classification (SITC) No. 664.91

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
EEC *(see individual countries for nontariff barriers)*	16%	8%
France *(government procurement regulation; 20% value added tax; customs stamp tax, 2% of customs charges; export sales refunded value added tax)*		
West Germany *(10% turnover equalization tax; export sales refunded this tax)*		
Italy *(0.5% customs administration fee; 4% turnover tax; 3.6% compensatory import tax; export sales refunded turnover tax)*		
Belgium *(7%, 13%, or 14.5% transmission tax, refunded or exempt on export sales)*		
Netherlands *(10.4% turnover tax, refunded on export sales)*		
EFTA *(Member countries refund or exempt turnover taxes and value added taxes on export sales)*		
United Kingdom *(no border tax, etc.)*	15%, 16%	7.5%
Norway *(13.64% turnover tax; government procurement regulation)*	range 0,24 to 4,00 Kr/kg.; 12%	range 0,12 to 2,00 Kr/kg.; 6%
Sweden *(11.11% turnover tax)*	16%, 18%; 20%	9%; 10%
Denmark *(12.5% value added tax)*	10%	6%
Austria *(10.6% or 13% turnover equalization tax)*	25%, 27%	20%
Switzerland *(5.4% turnover tax; statistical tax = 3% of customs duty)*	range 10 to 180 Fr/100 kg.	range 8 to 90 Fr/100 kg.

(continued)

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E. CAST, ROLLED, DRAWN OR BLOWN GLASS (INCLUDING FLASHED OR WIRED GLASS) CUT TO SHAPE OTHER THAN RECTANGULAR SHAPE, OR BENT OR OTHERWISE WORKED (FOR EXAMPLE, EDGE WORKED OR ENGRAVED), WHETHER OR NOT SURFACE GROUND OR POLISHED; MULTIPLE-WALLED INSULATING GLASS; LEADED LIGHTS AND THE LIKE BTN 70.07; SITC 664.91
(continued)

COUNTRY, AND NONTARIFF BARRIERS	PRE-KENNEDY ROUND TRADE AGREEMENT RATE	FINAL KENNEDY ROUND TRADE AGREEMENT RATE
FINLAND *(12.4% turnover tax; refunded on export sales)*	40%, 35%, or 40% (leaded lights)	35%, 30%, or 20% (leaded lights)
SPAIN *(13% compensatory import tax; imports prohibited on projects using government funds; export sales exempt or refunded compensatory import tax and export bonus given to compensate for higher costs in Spain; exporters enjoy special depreciation and investment reserve privileges)*		
YUGOSLAVIA *(controlled by quotas: goods contingent, and global exchange quota. Also export incentives such as higher retention quotas, and depreciation allowances)*		
ICELAND *(sales tax - not only on imports; but not on exports)*	50%	50%
IRELAND *(must make special application for transfer of funds if over £ 2,000; 2.5% turnover tax or 5% wholesale tax; exports exempt from tax. New investments pay no tax on export profits for 10 years)*		
CZECHOSLOVAKIA *(none; the state does the trading)* (Czech. No. 376 - colored)	128 Crowns/100 kg.	64 Crowns/100 kg.
JAPAN *(license required; no quota limitation; 1% or 5% license deposit required with license application; 0.5% to 1.5% expense deduction allowed on exports)*	25%	12.5%

APPENDIX TABLE J

EXAMPLES OF NONTARIFF BARRIERS AND EXPORT INCENTIVE PROGRAMS BY COUNTRY

	AUSTRIA	BELGIUM	DENMARK	FINLAND	FRANCE	ITALY	JAPAN	NETHERLANDS	NORWAY	SPAIN	SWEDEN	SWITZERLAND	WEST GERMANY
Border Tax and Export Rebate of Turnover Tax, Value Added Tax, Transmission Tax, etc.:													
Amount	7.75%-13%	7%-14.5%	12.5%	12.4%	20%	7.6%	-	8.8%-11.9%	13.64%	9%-13%	11.11%	5.4%	10%
Rebate or Exemption on Exports	X	X	X	X	X	X	-	X	X	X	X	X	X
Import Licenses	X	-	-	-	-	-	X	-	-	-	-	-	-
Quotas	-	-	-	-	-	-	X	-	-	-	-	-	-
Foreign Exchange Controls	-	-	-	-	-	-	X	-	-	-	-	-	-
Government Procurement Practices	-	-	-	-	X	-	-	-	X	X	-	-	-
Consular Fees, Import Surcharges, Prior Deposit Requirements, and miscellaneous	-	-	-	-	X	X	X	-	-	-	-	X	-
Export Incentives such as Bonuses, Tax Deductions, etc.	-	-	-	-	-	-	X	-	-	X	-	-	X

SOURCE: U. S. Department of Commerce, Bureau of International Commerce; Trade Information Committee, *Preliminary Inventory of Nontariff Trade Barriers by Country*.

APPENDIX TABLE K

EXPORTS OF FLAT GLASS OF THE PRINCIPAL NON-COMMUNIST COUNTRIES PRODUCING FLAT GLASS, JANUARY–JUNE 1967

(As Reported by the Exporting Country)

	FROM: UNITED STATES[1]			FROM: UNITED KINGDOM			FROM: BELGIUM			FROM: FRANCE			FROM: WEST GERMANY			FROM: JAPAN		
	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value
SITC 664.3 Drawn or Blown Glass, in Rectangles																		
DESTINATION OF EXPORTS:																		
UNITED STATES	–	–	–	8,755	1,275	146	25,943	4,856	187	4,287	807	188	10,762	2,066	192	9,694	1,365	141
JAPAN	120	60	500	24	4	166	–	–	–	25	31	1,240	278	172	619	–	–	–
CANADA	2,227	1,347	605	2,525	406	161	9,140	1,725	189	2,297	488	212	2,699	517	192	1,292	208	161
EEC	na	na	na	3,261	416	128	13,774	2,082	151	1,094	295	270	17,007	2,457	144	–	–	–
Belgium	na	na	na	9	1	111	–	–	–	963	159	165	174	151	869	–	–	–
France	na	na	na	–	–	–	827	119	144	–	–	–	1,575	287	182	–	–	–
West Germany	na	na	na	5	1	200	789	140	177	42	47	1,119	–	–	–	–	–	–
Netherlands	na	na	na	2,906	382	131	11,066	1,474	133	26	37	1,423	8,751	1,393	159	–	–	–
Italy	na	na	na	341	32	94	1,092	349	320	93	52	825	6,507	626	96	–	–	–
EFTA	na	na	na	1,716	353	206	22,064	3,464	157	4,195	827	197	8,253	1,860	225	–	–	–
United Kingdom	19	14	737	–	–	–	13,118	1,805	138	1,086	287	264	1,713	388	227	–	–	–
Austria	na	na	na	17	2	118	639	102	160	275	46	167	800	190	238	–	–	–
Portugal	na	na	na	34	8	235	322	66	205	387	69	178	46	18	391	–	–	–
Sweden	na	na	na	1,138	252	221	2,413	473	196	785	142	182	2,118	504	238	–	–	–
SINO-SOVIET	na	na	na	9	1	111	330	56	170	45	42	933	176	43	244	–	–	–
WORLD	2,830	1,743	616	20,921	3,231	154	82,983	14,888	179	18,755	3,822	204	44,374	8,237	186	19,591	2,564	131

(Continued)

EXPORTS OF FLAT GLASS OF THE PRINCIPAL NON-COMMUNIST COUNTRIES PRODUCING FLAT GLASS, JANUARY—JUNE 1967

(As Reported by the Exporting Country)

	FROM: UNITED STATES[2]			FROM: UNITED KINGDOM			FROM: BELGIUM			FROM: FRANCE			FROM: WEST GERMANY			FROM: JAPAN		
	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value
SITC 664.4 Glass in Rectangles, Surface Ground or Polished																		
DESTINATION OF EXPORTS:																		
UNITED STATES	–	–	–	2,164	565	261	9,284	3,406	367	4,421	1,014	229	2,595	667	257	16,966	3,879	229
JAPAN	480	244	508	272	89	327	10	5	500	15	2	133	5	2	400	–	–	–
CANADA	14,489	6,288	434	4,483	1,271	284	1,591	601	377	343	123	359	284	118	415	261	85	326
EEC	na	na	na	2,839	923	325	13,671	4,373	320	12,185	2,082	171	10,603	1,474	139	–	–	–
Belgium	280	114	407	12	5	417	–	–	–	1,234	182	147	7,219	810	112	–	–	–
France	131	102	779	45	30	667	5,937	1,916	323	–	–	–	564	188	333	–	–	–
West Germany	na	na	na	1,133	450	397	3,387	996	294	10,781	1,735	161	–	–	–	–	–	–
Netherlands	na	na	na	1,193	342	287	2,356	651	276	2	2	1,000	2,607	385	148	–	–	–
Italy	353	113	320	456	96	211	1,991	810	407	168	163	970	213	91	427	–	–	–
EFTA	na	na	na	1,163	403	347	5,790	1,805	312	2,358	802	340	2,604	831	319	–	–	–
United Kingdom	85	49	576	–	–	–	3,475	1,023	294	874	266	304	644	180	280	–	–	–
Austria	na	na	na	80	30	375	456	163	357	72	27	375	348	123	353	–	–	–
Portugal	na	na	na	26	8	308	272	60	221	364	130	357	87	12	138	–	–	–
Sweden	na	na	na	325	132	406	428	180	421	178	82	461	117	52	444	–	–	–
SINO-SOVIET	na	na	na	24	13	542	280	72	257	–	–	–	76	26	342	–	–	–
WORLD	20,004	9,113	456	28,660	8,907	311	37,376	12,488	334	25,069	5,609	224	17,139	3,431	200	19,452	4,667	240

[1] United States exports obtained from Schedule B 6640110. (Sheet Glass in Rectangles, unworked). sq. ft. converted to lbs. at a ratio of 1.16 lbs/sq.ft.(United States Tariff Commission).

[2] United States exports obtained from Schedule B 6640120 (Glass, Plate & Float, in Rectangles, unworked or surface ground or polished, excluding safety). Sq. ft. converted to lbs. on the basis of 3/16" average width estimated at 2.25 lbs. per sq. ft.

Source: OECD, *Commodity Trade: Exports*, January-June 1967.

APPENDIX TABLE L

IMPORTS OF FLAT GLASS OF THE PRINCIPAL NON-COMMUNIST COUNTRIES PRODUCING FLAT GLASS, JANUARY–JUNE 1967

(As Reported by the Importing Country)

	TO: UNITED STATES			TO: UNITED KINGDOM			TO: BELGIUM			TO: FRANCE			TO: WEST GERMANY			TO: JAPAN[1]		
	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value
SITC 664.3 Drawn or Blown Glass, in Rectangles																		
ORIGIN OF IMPORTS:																		
UNITED STATES	–	–	–	–	–	–	–	–	–	–	–	–	1	1	1,000	9	12	1,333
JAPAN	8,718	1,668	191	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CANADA	947	144	152	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
EEC	46,318	8,005	173	13,886	2,360	170	2,075	519	250	5,309	841	158	4,627	752	163	644	207	321
Belgium	26,973	4,091	152	11,144	1,622	146	–	–	–	874	140	160	513	91	177	–	–	–
France	3,578	896	250	1,183	337	285	1,513	240	159	–	–	–	42	48	1,143	46	41	891
West Germany	10,963	2,309	211	1,546	393	254	218	160	734	1,544	254	165	–	–	–	598	166	278
Netherlands	89	24	270	13	8	62	172	90	523	–	–	–	80	15	188	–	–	–
Italy	4,715	685	145	–	–	–	172	29	169	2,891	447	155	3,992	598	150	–	–	–
EFTA	9,366	1,486	159	1	1	1,000	1	3	3,000	26	8	308	87	27	310	–	–	–
United Kingdom	8,073	1,278	158	–	–	–	1	2	2,000	–	–	–	5	1	250	–	–	–
Austria	627	101	161	–	–	–	–	–	–	–	–	–	10	6	600	–	–	–
Portugal	266	29	109	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sweden	377	57	151	1	1	1,000	–	–	–	–	–	–	–	–	–	–	–	–
SINO-SOVIET	10,975	903	82	3,287	207	63	242	15	62	–	–	–	347	32	92	–	–	–
U.S.S.R.	3,951	381	96	1,379	86	62	–	–	–	–	–	–	–	–	–	–	–	–
Czechoslovakia	1,788	144	81	321	24	75	–	–	–	–	–	–	283	28	99	–	–	–
East Germany	45	3	67	–	–	–	242	15	62	–	–	–	–	–	–	–	–	–
Poland	3,198	232	73	1,121	71	63	–	–	–	–	–	–	–	–	–	–	–	–
WORLD	88,043	13,703	156	17,180	2,569	150	2,318	537	231	5,336	850	159	5,060	821	162	644	219	340

(Continued)

IMPORTS OF FLAT GLASS OF THE PRINCIPAL NON-COMMUNIST COUNTRIES PRODUCING FLAT GLASS, JANUARY—JUNE 1967

(As Reported by the Importing Country)

	TO: UNITED STATES			TO: UNITED KINGDOM			TO: BELGIUM			TO: FRANCE			TO: WEST GERMANY			TO: JAPAN[2]		
	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value	Metric Tons	Dollar Value (000s)	Unit Value
SITC 664.4 Glass in Rectangles, Surface Ground or Polished																		
ORIGIN OF IMPORTS:																		
UNITED STATES	–	–	–	98	53	541	214	66	308	233	96	412	–	–	–	187	100	535
JAPAN	13,304	4,674	351	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CANADA	176	62	352	148	66	446	–	–	–	–	–	–	–	–	–	–	–	–
EEC	16,676	5,779	347	5,398	1,631	302	8,599	1,054	123	6,938	2,009	290	15,716	3,129	199	22	10	455
Belgium	9,634	3,230	335	3,669	1,046	285	–	–	–	5,726	1,642	287	3,388	971	287	11	5	455
France	3,329	1,132	340	864	279	323	923	94	102	–	–	–	11,015	1,817	165	11	3	273
West Germany	1,966	929	473	724	235	325	7,087	817	115	463	188	406	–	–	–	–	2	–
Netherlands	44	22	500	35	45	129	84	42	500	–	–	–	43	35	814	–	–	–
Italy	1,703	466	274	106	26	245	505	101	200	749	179	239	1,270	306	241	–	–	–
EFTA	1,538	578	376	1	4	4,000	36	4	111	16	9	563	1,211	475	392	165	120	727
United Kingdom	1,538	566	368	–	–	–	6	1	167	6	4	667	1,205	468	388	165	120	727
Austria	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Portugal	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Sweden	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
SINO-SOVIET	–	–	–	24	4	167	4	1	250	–	–	–	1	4	4,000	–	–	–
U.S.S.R.	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Czechoslovakia	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
East Germany	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Poland	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
WORLD	31,979	11,175	349	5,669	1,758	310	8,877	1,127	127	7,185	2,115	294	16,928	3,608	213	384	230	599

[1] Quantity values given in sq. meters were converted into metric tons on the basis of a ratio derived from Canadian and U.S. values on the assumption that the value of imports to these two countries would be comparable (ratio: .0092 T/sq. m.)

[2] Quantity values given in sq. meters were converted to metric tons on the basis of a ratio for 3/16" average estimated at 24.219 lbs./sq. meter.

Source: OECD, *Commodity Trade: Imports, January-June 1967.*

The CHAIRMAN. Thank you, Mr. Stewart, for your fine statement. Mr. Betts.

Mr. BETTS. Mr. Stewart, I would be interested to know if any action was taken under the adjustment assistance provisions with respect to the 7,000 people who became unemployed. What happened?

Mr. STEWART. The first thing that happened was an escape clause remedy and that remedy has been set aside by the President and sharply modified and the Government has sent a task force around to visit each plant to discuss with the workers and management at the plants what course of action might be followed to transfer those workers who are still employed and on our payrolls from their jobs in the flat glass industry to other employment if the President removes the remaining escape clause rates in 1970, so the Government is exploring whether or not adjustment assistance would work for these workers and each time they have visited these plants the whole community has been up in arms and has met with these people to demonstrate to them the effect on the communities.

There have been two instances in which adjustment assistance under the Automobile Act, the Canadian-United States Automotive Parts Trade Agreement Act, was requested for workers in flat glass plants whose jobs were deemed to be affected by the transfer of production to Canada.

I may say in regard to our exports to Canada, which have been substantial up until now, we now expect and are experiencing a sharp decline in 1968 because the automobile companies in Canada to meet the Canadian requirement of their automobile manufacture are being forced to use Canadian glass produced by the subsidiary of Pilkington of the United Kingdom.

Adjustment assistance would not work because you cannot find a job paying $3.60 an hour for a skilled glass worker in some other industry either in that community where he lives or elsewhere, and we believe that this is the judgment that the Government's task force may be coming to.

Mr. BETTS. So, in other words, the people are still employed and the Government is still investigating, is that it?

Mr. STEWART. That is correct.

Mr. BETTS. As usual I am very much impressed with your statement.

Mr. STEWART. Thank you, Mr. Betts.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Stewart, quite a few of our basic industries are being jeopardized in the matter of reduction in employment similar to what you outlined in the glass industry. You have had a lot of experience in this field and I've always found that you have a commonsense approach to these problems, so I am looking to you for advice.

Which of the several avenues of recourse that industries might have in the area of overwhelming foreign completion do you recommend as the more commonsense approach and which will have the least impact as far as our foreign trade is concerned with regard to retaliation or reciprocal action from our leading trading partners?

Mr. STEWART. Mr. Collier's bill, H.R. 17674, aside from the textile bills, as to which we take no position because of the eminence of their sponsorship and the great amount of thought the textile industry has naturally given its own problems, but as to all other industries, H.R. 17674 would have the minimum impact and generate the minimum amount of retaliation for these reasons.

First, the base period selected is a very recent period and there is not a significant rollback.

Second, the President is armed with the authority after the quotas go into effect to enter into trade agreement negotiations with the affected countries and to liberalize the quotas under guidelines.

We believe that common, hard-headed business sense enters the picture here. A country and its industry exporting to the United States would rather hold on to the business they have and provide for improving their position in the future than risk the loss of a significant amount of their business as the market grows in the future.

Therefore, we think that these countries would negotiate as they did in the long-term cotton textile arrangements instance under the auspices of GATT, and by negotiating and agreeing to a formula they dissolve their capacity or their right to retaliate.

Mr. SCHNEEBELI. Do many of our friends with whom we have a great amount of foreign trade take the import quota route? Do they use import quotas?

Mr. STEWART. Import quotas are used selectively by almost every major trading nation. They are no longer used on a broad-scale basis and, indeed, there is not the necessity for other nations to consider it in equal measure to us because we have accorded their industries access to our market.

Mr. SCHNEEBELI. On the residual list that we experience with Japan, what type of restriction is paramount in this list of 120-plus items that Japan uses?

Mr. STEWART. Japan retains the right at any time to require import licensing. The fact that they now have an open general license doesn't mean that they have forfeited the standby ability.

Second, in Japan the restriction that really works is this. If you wish to export to Japan you must find a trading company, because trade is carried on in Japan on the basis of trading companies.

The existing trading companies that have the means of distributing your products are already locked into trading products of established

Japanese companies so you begin with a disadvantage of being unable to get someone to represent you.

But if you do find someone prepared to import your product, he must go to his bank for foreign exchange. That bank must get approval of his request for foreign exchange from the central bank of Japan. If it is a competitive industry and competitive products, it just turns out that the approval is not granted or is so long delayed that the venture has to be abandoned.

Mr. SCHNEEBELI. Thank you very much.

The CHAIRMAN. Mr. Broyhill.

Mr. BROYHILL. Thank you, Mr. Chairman. Mr. Stewart, is the glass that is imported the same quality, the same finished product, as the flat glass that we export?

Mr. STEWART. Yes, it is, with the possible exception of imported glass from Iron Curtain countries. Czechoslovakia is a case in point. Their window glass has in the past been of very low quality and is therefore sold at distressed prices, but as to the other producers it is high quality glass, absolutely suitable for our glass.

Mr. BROYHILL. The only difference being the price itself.

Mr. STEWART. Correct.

Mr. BROYHILL. How were you able to get $34.5 million in exports in 1967 and $89 million in imports? That appears on page 4. Am I reading it correctly, $89 million in imports?

Mr. STEWART. That is correct.

Mr. BROYHILL. In 1967, $34 million in exports and by and large they are similar in quality and in types of finished products?

Mr. STEWART. Yes. As we explain on subsequent pages of the statement, the exports to Canada accounted for about, as I recall, 75 percent of our exports and they consisted of at that time in 1967 transfers of glass to U.S.-affiliated plants in Canada to be made into glass for automobiles, which business we are now about to lose and the exportation of automobiles.

Mr. BROYHILL. How could we have that much in exports if it is such a bargain to import, to buy $8 million worth, which apparently is at a lesser rate. How would we ever export any glass?

Mr. STEWART. This industry has served the U.S. automobile industry very closely. The U.S. automobile industry, as you know, is the companies that have the plants in Canada and without this Canadian content requirement we would have continued to supply glass for those automobiles but now that the U.S. companies are trying very hard to reach their Canadian content requirement they must turn to glass of Canadian origin and so we are going to lose out on those exports.

Mr. BROYHILL. Thank you.

The CHAIRMAN. Any further questions? Mr. Ullman.

Mr. ULLMAN. Mr. Stewart, you have impressed us with the extent of the problem in the industry that you are speaking for. I am very

much concerned with what is happening but I also have a lot of problems with the alternatives.

You are recommending legislation that would generally impose quotas, would it not?

Mr. STEWART. It would impose quotas on five basic industries and provide machinery under which other industries might qualify in a Tariff Commission investigation for quotas. It would in each instance, however, then authorize the President the negotiate with the affected countries for a liberalization of the quota plan under guidelines specified in the legislation, including a growth formula.

Mr. ULLMAN. The Government then would be directly in the business of dividing up the marketplace, is that right?

Mr. STEWART. Well, the initial quotas are based upon the division that has resulted in the marketplace. The subsequent allocation formula would be proportioned to the growth of the market which again is reflection of what the marketplace itself has determined in the past and the right of the President to negotiate to liberalize that means, as in the case of cotton textiles, the affected countries could recognize the problem and mutually solve it in a way which did not curtail the trade of any of them.

There is no reason why, having worked in cotton textiles, it could not work in other basic industries.

Mr. ULLMAN. Well, I have heard a lot of witnesses who would be very much concerned about the Government actually getting into the business of setting up the quotas, dividing up the marketplace, rigid formulas.

Is there any new way that it could be administered that would allow the flexibility that you need in the market?

Mr. STEWART. I think this is a very helpful point, Mr. Ullman, and I appreciate your raising it. Consider the alternative to the Government doing it first by statute to provide a basis and then by negotiation. The alternative in the flat glass industry is that the world market will be divided up by cartels from which the U.S. industry is excluded.

Is that to be preferred over a system in which all of the governments sit down and on the basis of equity with some congressional guidelines accomplish a more fair division?

We think that there is a need in this instance because nothing else can accomplish it than for the Government through negotiation to do it.

Now, as to those who protest Government intervention, I wonder what they think trade agreement negotiations over the past 30 years have been. When the Government decides to reduce duties they make a decision to alter the conditions of competition between the domestic and the foreign industries and systematically they have done it with the enthusiastic endorsement of those who now say that judgment

applied by the Government in the context of quotas would be Government interference.

I submit they can't endorse the one and oppose the other on principle.

Mr. ULLMAN. What machinery in the legislation that you are recommending would be set up? Who would make the decision as to what the nature of the quota would be in each instance?

Mr. STEWART. Initially the global quota would be imposed by the terms of the statute and the Secretary of Commerce or Agriculture would divide that up among countries by commodity category, but thereafter without limit as to time or amount the President would be authorized to negotiate with the affected countries to achieve an equitable state of affairs in regard to the regulation of U.S. imports, so that the President has the final decision but Congress provides the platform, the backlog, in relation to which those negotiations would be carried out.

In other words, the legislation creates a negotiating position. If you are going to negotiate each side must have a negotiating position. Without such legislation we cannot create a negotiating position.

The Canadian-American Committee of the National Planning Association published a study entitled, "Constructive Alternatives to Proposals for U.S. Import Quotas."

On page 26 in the third paragraph, after discussing the different types of quota bills, this report states:

> Of the three types of quotas illustrated here, this alone would bring no immediate cut in imports and cause the least impairment thereafter. The quota proposals for flat glass and consumer electronic products would appear to have this affect owing to their particular reference levels.

Here is a free trade evaluation of a number of quota proposals saying that the principles of the flat glass bill would cause the least harm and be the fairest, and I submit that apart from my testimony you should consider what this particular group has to say about the flat glass bill.

Mr. ULLMAN. On another point, to what extent are imports in the industry that you represent coming from American subsidiaries abroad?

Mr. STEWART. Very little. There are plants in Canada and in connection with the automobile agreement there is some two-way movement there, but that is minor. One of the companies has an ownership interest in an Italian company which is quite new.

It is a new company and a new plant. That plant is coming on stream with production. It is my understanding that what might be regarded as token amounts of the output of that plant have come into the United States and that the American company concerned has gone to the Commerce Department and said, "If we do not get some relief from this import problem we will have to transfer our future output capacity to Europe and begin bringing in imports from these plants. This plant

was established to try to serve the common market but we can't get into the common market under their nontariff barriers," so the answer in summary is not yet significant, but very likely it could become significant in the future if there is not some remedy.

Mr. ULLMAN. Thank you.

The CHAIRMAN. Any further questions?

If not, again, Mr. Stewart, we thank you, sir, for coming to the committee.

Mr. STEWART. Thank you, Mr. Chairman.

The CHAIRMAN. Rear Adm. Harry Hull, If you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENTS OF REAR ADM. HARRY HULL, EXECUTIVE DIRECTOR, INTERNATIONAL CENTER OF NEW ENGLAND; ACCOMPANIED BY A. DEVEREUX CHESTERTON, DIRECTOR; AND PROF. DAVID J. ASHTON, DIRECTOR

Admiral HULL. Mr. Chairman and gentlemen, I am Harry Hull, executive director of the International Center of New England. I am accompanied by Prof. David Ashton of Boston University and Mr. Devereux Chesterton, chairman of the board of A. W. Chesterton & Co., both of whom are directors of the International Center. It is a pleasure to appear before this committee to present the views of the Center in support of the proposed Trade Expansion Act of 1968.

The International Center of New England is a private nonprofit membership corporation representing more than 1,000 members, including manufacturers, exporters, importers, all aspects of business life in New England. It was organized by businessmen who recognized the vital importance of international business to the growth of their companies and to the growth of the region's economy. Its objective is the expansion of New England's international commerce for the benefit of member companies, the national economy, and the cause of world peace.

The center supports the proposed Trade Expansion Act of 1968 for the reasons given in the message of the President which accompanies the draft bill. The center particularly supports the extension of the President's trade and tariff negotiating authority and the improvement in adjustment assistance to American firms and workers who may need some form of aid in responding to competition from imports.

You have heard many arguments on these matters and we have followed them as reported in the press. Looking for something new to submit to you I should like to quote two sentences from a speech

given to the New England Council last Friday, June 14, by G. Lawton Johnson, formerly a steel executive, now vice president and director of Boyden & Associates, Inc., of New York, one of the leading executive search firms in America.

Mr. Johnson's opening sentence was:

I should like to talk to you today about the futility of trying to cope with the future by living in the past.

Later he said:

The need to respond thoughtfully and aggressively to change in virtually all fields has never been more urgent.

The complexities of world trade, the opportunities it offers to expand world markets, and the swiftness with which changes will take place make the extension of the President's negotiating authority in this most vital field a most urgently important matter. Correspondingly, in this coming period of rapid change and rapidly expanding world markets a few American industries, companies, and labor forces which may be injured by increased competition from imports, may require assistance in adjusting to the changes. The improvements in adjustment assistance in the proposed act are the best solution to this problem that has come to public notice so far. Import quotas are not a feasible alternative. They fall in Mr. Johnson's category of a futile effort to cope with the future by living in the past.

Mr. Chairman, I will be followed by Prof. David Ashton, chairman of the International Business Department at Boston University, and the man who is most responsible for the development of State and regional statistics on exports. Professor Ashton will explain the importance of international commerce to New England's industry and economy today and can answer any questions you may have in this area.

The CHAIRMAN. Professor Ashton.

STATEMENT OF PROF. DAVID J. ASHTON

Mr. ASHTON. Thank you, Mr. Chairman. My name is David J. Ashton. I am professor of international business and international curriculum coordinator at the Boston University College of Business Administration. I am pleased to appear here today with Admiral Hull and Mr. Chesterton on behalf of the International Center of New England, Inc. I have been a member of the center and of its predecessor organization, the World Trade Center, in New England for the past 10 years and am presently serving as a director and as chairman of the center's educational relations committee. I also serve as consultant to the Federal Reserve Bank of Boston and to the New England Re-

gional Commission, the two organizations which have in recent years been most concerned with and involved in trying to appraise and measure the international component in the New England economy.

Time limitations today prevent any detailed discussion of the analysis which has produced the conclusions and recommendations I am about to present but I shall, of course, be glad to respond to any questions or comments which your committee members or staff may have. The facts which I shall present here and much more will shortly be submitted to the New England Regional Commission in the form of a research monograph, which I hope that the commission, in its wisdom, will decide to publish, but which I feel sure would be available to your committee in any event, should you request it.

I also note from the schedule that you are scheduled to hear my colleague, Professor Bender of Holy Cross, sometime during the day and I am sure he will have a good deal of interesting comments regarding the New England Regional Commission.

Admiral Hull has already identified the specific constituency that we represent here today, that is, the International Business Community of New England. But in the regional context, I think, our constituency is much broader. We speak, really, for all those who benefit from vigorous competition and reduced barriers to trade; the consumer whose cost of living is lower and whose market choices are broadened; the producer whose materials and component inputs are available in greater variety and at lower cost; the exporter whose access to distant markets is improved; the worker and investor whose affiliation with competitively competent enterprises is reflected in higher wages and higher profits; and, yes, even the import-competitive producer who is stimulated to greater adaptability and ingenuity by the competitive challenge.

We are convinced that our country's liberal trade policies of the last 35 years have been good for the Nation as a whole, and for New England in particular. We appear before you, therefore, not as pleaders for a narrow, particular interest, but to advocate the continuation, and amplification of a policy which has led the major trading nations of the world out of the self-destructive and exclusive nationalism of the 1930's and into two post-World War II decades of unprecedented world trade and prosperity.

We advocate competition, Mr. Chairman, as representatives of a region which has been transformed by competition, both domestic and and foreign.

We have been transformed from an area noted for stodgy management, and obsolescent plant, and an uncomfortable dependence on import competitive soft goods industries which had serious difficulty competing with other regions in the United States, let alone with efficient producers abroad. This 20-year transformation process, which has not been without its moments of anguish, has seen the industrial structure changed to one where competitive durable goods producers now constitute 55 percent of our region's manufacturing activity compared with only 43 percent in 1947, with a resultant commensurate improvement in profits and wages.

Today our region's 32 major industries, each of which employs better than 1 percent of our region's industrial workers, are export-

oriented rather than import competitive. Directly competing imports average only 2 percent of their annual sales compared with a 5 percent national average and only five of these 32 experience competing imports above this 5 percent national norm. These five industries, incidentally, operate behind protective tariffs which now average 30 percent ad valorem. Contrasted with this import-competitive sector which employs about 6 percent of our region's workers the 22 export-oriented industries account for about one-third of the region's industrial employees, that is, nearly six times as much.

Moreover, these exporters are more representative of the industrial diversification into those newer industries which are strongly oriented toward recent scientific and technological developments, although the region's veteran world competitors, such as the machinery and instruments groups, are also strongly represented here.

It is the success of these manufacturers at home and abroad which has helped to close the gap which had opened following World War II between economic growth in New England and the rest of the United States. Although our region's economic growth is not yet up to the national standard the resurgence of competitive capability which in the 1960's has closed the gap from the 33 percent of the mid-fifties down to 10 percent at the present time this competitive resurgence has been due by and large to the national and international growth of this newer breed of industries.

In the near future the Kennedy round tariff reductions which have been contracted for by those countries which are our best customers overseas offer very attractive prospects for our export expansion, especially if our trade policy in discussions of the future can be devoted, as Ambassador Roth and many others have recommended, to the elimination of non-tariff barriers to trade and the elimination of hidden export subsidies on the part of these foreign trading partners.

We see no hope for this kind of progress, however, if the President's negotiating authority is not renewed or if we and our trading partners succumb to the temptation to initiate a self-defeating and retaliation-provoking round of quota legislation.

We are not unmindful of the need for protection and administrative relief of certain producers under certain circumstances. We believe, however, that the combination of the protection of defense-essential industries, the provisions of the antidumping laws if effectively administered, and also the adjustment assistance provisions contained in this and other legislation are sufficient to meet these needs.

But you may reasonably ask, I think, despite the statistics and abstract logic, Is it still reasonable to expect that a small- or medium-sized U.S. manufacturer, of which our region has many, can survive without high tariffs or low quotas when his Italian or Japanese competitor, let us say, pays only one-fifth or one-tenth of the wage rates that he must pay. I believe that I could make a convincing academic case than this is often possible, but the business career of the third member of our delegation, Mr. Chesterton, is actual living proof of this and at this point, therefore, Mr. Chairman, I should like to thank you for this opportunity to speak and yield to Mr. Chesterton.

The CHAIRMAN. All right.

STATEMENT OF A. DEVEREUX CHESTERTON

Mr. CHESTERTON. I appreciate this opportunity to express my views on our tariff policies, particularly as they affect our whole economy and our relations with other nations.

First of all, I would like to tell you briefly about our company because the views which I express are largely determined from my own personal selling experiences throughout the world.

Our company manufactures what are known as mechanical packings. These are products used by industry wherever gases or fluids must be sealed. Mechanical packings come under a general classification of textiles as they are made from cotton, flax, jute, asbestos, rubber, fiber, and these in turn are twisted, woven, or braided in much the same manner as other textile products. Mechanical packings are as old as steam so the industry goes back at least 150 years. I point this out in contrast to such enterprises as the new electronic industry wherein markets are being created daily. Our markets, like textiles, are old and, like most old industries, are highly competitive. In selling through the world we must compete with other foreign manufacturers who have some advantages, or what would on the surface appear to be advantages, over us.

One is price, selling prices which are considerably below ours in the world market, about 33⅓ percent, in the case of English packings with their preferential markets, at least 50 percent. Most importantly, though, British packings are introduced throughout the world by the requirements of their merchant marine. In every port their ships visit, stocks of British packings are required, which automatically gives the English worldwide sales representation.

These are the disadvantages we have to overcome to compete in the world market.

Here at home we sell at the highest prices in the U.S. market. I point this out solely because even being the highest priced company in America and by far the highest priced in the world we have in a period of 8 short years come from practically a standing start to the largest exporters of packings in the United States and the second largest in the world. And mind you, we have to compete not only with American manufacturers, but against the English who get a free ride from their merchant marine usage, and local manufacturers in countries like Japan, France, Germany, Australia, India, Italy, Chile, Argentina, Brazil et cetera. The local manufacturer has lower costs and no duty or freight to contend with. Their net costs are easily one-half ours.

Because of our success in overcoming this competition we were awarded at a White House ceremony the Nation's 500th E award.

My point is not to belabor you with all these details, but rather to show that American goods, even when highly priced, can be sold not only here at home but in world competition. The reason that high-priced merchandise can be sold is that not everyone wants the lowest price. If all people bought only the lowest priced items we would all be riding around in Volkwagens and General Motors would not even exist.

The problem I find and why we are worried about competition, is that American manufacturers are suffering from a massive inferiority

complex. What we should be doing for our own good is to do away with all tariff barriers and quotas and let our manufacturers discover that they can successfully compete, right here in the United States. When they discover they can compete against foreign manufactured products in the markets of New York, Chicago, Boston, and St. Louis, then they will realize they can also compete with the same manufacturers in London, Paris, Tokyo, and Berlin. Knowing this they will have the confidence to get out and sell in the export markets, which today most manufacturers are reluctant or afraid to do.

Maybe you will think that the Chesterton record is an isolated phenomenon, but let me tell you about a far more dramatic case, that of a young man by the name of Speners Love who came to Massachusetts in the early 1930's and invested in, of all things, a textile mill in Massachusetts. This at a time when all the other textile plants were abandoning New England like a sinking ship. Fall River, New Bedford, Lawrence, Lowell, once great textile centers, were becoming deserted villages. Interestingly enough, most of those who moved out and went south eventually failed. But young Mr. Love who kept on plugging and plodding, finally became the largest textile manufacturer not just in Massachusetts, or in New England, or in the United States, but in the entire world. His empire consists of 80 plants in 43 countries. Mr. Love's creation is known as Burlington Mills, and in case you think this is ancient history we are talking about, Mr. Love was just my age.

So this is the point. If you have the imagination, drive, determination, you can succeed anywhere, even in the toughest of businesses, against worldwide competition.

As a matter of fact, we Americans are the greatest businessmen in the world, and we are the world's greatest selling country. As an example, we even sell ballpoint pens in Japan, cameras to Germany, watches to Switzerland, and yes, even whisky to England. We Americans can sell anything and we do. With 6 percent of the world's population we do 33 percent of the world's trade and in doing so we sell $4 billion more than we import.

So should we with all this evidence before us establish restrictive quotas or raise tariff rates? Are we crazy? Have we lost our good sense? Are we going to shoot our own Santa Claus and invite retaliation? Can you imagine the consequences of such action should we, for instance, impose restrictive quotas on Canadian newsprints?

Canada is our best customer. We are exporting to her over $6 billion worth of merchandise a year. Can you imagine what this good customer, who buys far more from us than she sells to us would do if we took such unilateral action?

Let me tell you about restrictive quotas, and that is what quotas are, restrictive, so let's not kid ourselves about this. Some 8 years ago Mexico bought over 50 percent of all our company's exports. They were our No. 1 customer. Then one day Mexico got the idea that they should restrict imports on our line to protect their own industry. Tariffs, already high, were not high enough, so they resorted to quotas. Here is how quotas work in reverse. We haven't sold one single dollar's worth of packings in Mexico since they adopted the quota system and, gentlemen, any country can do the same to anything we manufacture

if we give them half an excuse to do so. Our establishing quotas, no matter how small they will be, will eventually involve us in a trade war which we can only lose.

Another thing, we are a nation of consumers as well as producers. The consumer also has a right to be protected. The only way a consumer can protest against rising prices or against rising inflation taking place is in the marketplace. If the consumer feels, for instance, that $45 is too much to pay for a pair of shoes, he can show his disapproval by buying a $15 imported shoe. This is the only way the consumer can protest, and I believe the consumer has a right to express himself or herself and to do so loud and clear. Without some protest, some brakes applied, prices and wages, already exorbitantly high in some industries, will reach astronomical proportions.

I was in Germany, gentlemen, after World War I and I had occasion to buy an umbrella there that cost 18 billion marks. Mind you, the mark before inflation had been worth 25 cents in U.S. money. Of course wages were high, too. The working man was making a billion marks an hour, but he had to carry a travel bag with him just to carry around his marks. Should a like inflation take place in the United States umbrellas would sell for $4½ billion apiece. My point is that at this time we can use a little restraint and allow the consumer the opportunity to protest against rising prices and inflation. To do this we must maintain an open market.

More alarmed than I am about all these problems, am I alarmed about the fact that we—supposedly responsible citizens of the world's richest and most powerful Nation—are gathered here today to discuss whether or not we shall abrogate our pledge. What has happened to our integrity? What has become of the integrity of our signature and our solemn word?

We are here debating whether we should break our vows and tell the whole world that America is today without principle, that immediate monetary gain means more to us than our pledges, that we as a nation no longer abide by our promises, that we have lost our integrity.

We have only just completed the Kennedy round of tariff reductions. The ink is hardly dry. Establishing quotas is no more and no less than a circumvention of our GATT agreements. At this time the whole world looks to us for leadership and example, and here we are not really debating quotas and tariffs, for these are only the outward manifestations of our acts. What we are doing is deciding now, right now, and once and for all whether America does or does not abide by its word.

Just after the last war I was talking to one of our Peruvian customers and in the conversation he ventured the thought that America should run the world. I protested and said that were we ever to do such a thing as that we would be hated by every nation on earth. He replied, "It does not matter, this is America's destiny." I have thought a lot about this remark since then. It may be our destiny to run things, but I do believe that the mantle of leadership has been thrust on us. Perhaps this is destiny, but whatever it is, and under whatever name it is called, we have a terribly grave responsibility.

This is our time in destiny. This is the time when America must lead the world. We cannot, we must not, fail. The whole world watches

us and right now you gentlemen in this room are in the spotlight of history. Frankly, I believe that our integrity in the matter of GATT pledges is so important that even if we had to grovel, so to speak, in the dirt we should do so rather than letting the world down through selfish, self-centered, and, if I may say so, dishonorable action.

When I was a child, my grandfather used to take me on his lap and say, "Devereux, my word is my bond." Fifty, yes, 60 years have passed. I have forgotten what my grandfather looked like, but I still keep hearing his words ringing out, "My word is my bond." What will the next and the next and the next generation of world inhabitants think of America? Will they be able to say, "There was a great freedom-loving country, whose word was its bond"?

Thank you.

The CHAIRMAN. Thank you, gentlemen, for bringing us the views you have expressed. Are there any questions?

If not, we thank you very much.

Admiral HULL. Thank you.

The CHAIRMAN. Mr. Kintner. If you will identify yourself for our record, we will be glad to recognize you, sir.

STATEMENT OF EARL W. KINTNER, BRITISH-AMERICAN CHAMBER OF COMMERCE OF NEW YORK; ACCOMPANIED BY DEREK LEE, PRESIDENT, AND DAVID PACY, VICE PRESIDENT OF THE CHAMBER; AND MARK R. JOELSON AND ANGELOS CLONES

Mr. KINTNER. Mr. Chairman, and distinguished members of the committee, my name is Earl W. Kintner, and I am a member of the Washington law firm of Arent, Fox, Kintner, Plotkin & Kahn. I am appearing before you today on behalf of the British-American Chamber of Commerce of New York, a New York corporation.

The British-American Chambers of Commerce of the Midwest, of the Pacific Southwest, and of San Francisco wish to be associated with and support the views expressed in this statement.

I am accompanied here at the table by Mr. Derek Lee, president of the chamber, and by Mr. Mark Joelson, a member of my law firm. I am also accompanied here today at the hearing by Mr. David Pacy, vice president of the chamber and by Mr. Angelos Clones, who is an economist and employee of my law firm.

The CHAIRMAN. Mr. Kintner, we are pleased to have you and the others you have mentioned with us today. You are recognized, sir. If it is necessary for you to omit parts of your statement in order to comply with our situation, do so with the knowledge that your full statement will appear in the record.

Mr. KINTNER. Mr. Chairman, I will summarize my statement very briefly and ask that the statement be printed in full in the record at this point.

The CHAIRMAN. Without objection, it will be included in the record following your oral statement.

Mr. KINTNER. The British-American Chamber of Commerce of New York has for its basic purpose the expansion of trade in both directions between the United States and the United Kingdom. More than 80 percent of the chamber's members are American citizens, American

firms or American corporations having a principal office and place of business within the United States.

The chamber attached very great importance to safeguarding and increasing the flow of international trade. We therefore support the legislation which the administration has proposed to the committee. In sum, we believe that broadened international commerce, unobstructed by artificial barriers, is in the long-term interest of the United States, as well as its trading partners.

Turning to the specific subject of trade with the United Kingdom we would point out that it brings about substantial and broadly equal benefits for both partners. The United Kingdom is the third largest export market for U.S. products, while the United States is the largest British export market.

Trade between the two countries has steadily expanded over the last 10 years. In 1958 U.S. exports to the United Kingdom amounted to $905 million and by 1967 had risen to $1,960 million. Over the same 10-year period, imports into the United States from the United Kingdom increased from $864 million to $1,710 million.

The United Kingdom market is of major importance for a number of U.S. industries and branches of agriculture, particularly, for instance, tobacco, corn, synthetic resins and plastics, office machinery, paper and paperboard.

Moreover, trade with the United Kingdom has consistently yielded a balance in favor of the United States. In the last 10 years there have been only 2 years in which we had an adverse balance; and the total surplus of exports over imports exceeds $1.8 billion over the 10 years.

A number of those who advocate the imposition of new restrictions on trade claim that this would be no more than reciprocity for the barriers maintained by other countries to the sale of American goods. We do not think this is true in relation to the United Kingdom.

In any event, we believe that the United States must continue to strive for reciprocity in terms of reducing restrictions, rather than expanding them, if the long-term interests of all nations, including our own, are to be served.

Trade barriers, unless they are justified by the most exceptional circumstances, will inevitably work against our economic welfare, in restricting consumer choice, in compelling consumers to pay higher prices, and in fostering inefficient and unprogressive industries both here and abroad.

It is sometimes contended that imports are always directly competitive with a domestic product and that they are normally sold on the basis of a price advantage. This is not true of many items which members of the chamber handle as importers from the United Kingdom.

To take a simple example, British woolen products provide a range of quality which is not available from any other source. Far from undercutting the nearest equivalent domestic product, the British cloth is normally at least 25-percent more expensive. It does, however, meet a legitimate demand of some American consumers.

It has also been suggested that lower wage levels in other countries provide an unfair competitive advantage and justify the imposition of restrictions on imports. We do not believe that it would be

right to raise barriers to the flow of goods from other countries simply on this basis.

The level of wages is only one among many factors in production which together determine the price levels at which a country can afford to export. The apparent advantage of low-wage rates—or the apparent disadvantage of high-wage rates—is often offset by compensating factors such as the availability of raw materials and capital investment, the quality of training of labor and managerial personnel, the degree of moderniztion and the utilization of advanced technological practices, and so forth. In these regards we command significant advantages.

In addition, concern has been expressed over the possible effect of imports on employment opportunities in the United States. We should be just as deeply concerned about the loss of existing jobs, dependent on U.S. export trade, which would be occasioned by the inevitable defensive measures taken by foreign countries on the creation of new import barriers here.

Nor should imports be treated as a scapegoat when, under the spur of competition, job opportunities in certain industries are modified by the concentration of production in more modern and efficient plants.

Turning to the administration's proposals, we support H.R. 17551, and in particular: (1) extension of the President's authority to adjust tariffs through June 30, 1967; (2) modification of the rules governing adjustment assistance; and (3) elimination of the American selling price system of valuation.

We strongly believe, Mr. Chairman, that the U.S. benzenoid chemical industry is not in such a precarious condition that it genuinely requires the exceptional and unique treatment that ASP affords.

In the context of the ASP agreement, I would just like to make the point that, in trade with the United Kingdom, the overall chemicals agreement works out clearly in favor of the United States. U.S. exports of chemicals to the United Kingdom are worth about $170 million a year and the tariffs which they face are to be substantially reduced—by as much as 62 percent in some cases.

There will then be very few United Kingdom tariffs over 12½ percent in the chemical field; and the average will be below that figure. Many U.S. chemical tariffs will remain at 20 percent or higher and the average level will be well above that of the United Kingdom. U.S. imports of chemicals from the United Kingdom are around $70 million a year, and only a small part of these are benzenoids.

In this regard, the United States has an excellent bargain. Our chemical industry should be able to maintain and increase its existing large favorable balance in trade with the United Kingdom.

For its part, the United Kingdom is apparently looking for an expansion of its trade in chemicals chiefly through the further reduction of EEC tariffs, which would follow the elimination of ASP.

In other words, our chemical industry is to receive more than it gave up in its bargain with the United Kingdom, with the latter receiving its principal benefits in Europe. This is, in our view, an excellent example of how multilateral trade works.

Finally, we wish to comment on the quota proposals which are under the consideration of this committee. We believe that all those who

have had practical experience in attempting to conduct trade under a quota system will reject this alternative. All quota systems require an elaborate and expensive bureaucracy.

The Nation's resources can be spent on better things. Quotas are invariably inequitable because decisions about which exporters and which importers are to have a share can only be made on some arbitrary basis. And, as soon as the market has been rigidly allocated by being artificially divided among approved suppliers, the normal laws of supply and demand can no longer operate effectively and prices are bound to rise.

Moreover, there is no reason to suppose that a large-scale interference with the normal flow of trade, which the quota proposals now under consideration would represent, would not cause the trading partners of the United States to impose equivalent restrictions on our export trade.

We have a bilateral trade surplus with most of these countries and an overall surplus on trade. It is one thing to ask the rest of the world to acquiesce in temporary restrictions when a country's exports are clearly inadequate to pay for its imports, but it is quite a different thing to impose restrictions when many of our trading partners already have a deficit with us and are having difficulty financing their purchases.

It would be our hope that, as the United States maintains its present position of technical leadership, many of our products will continue to secure a dominant place in world markets. But other countries must also be allowed to have successes in their own areas of excellence.

The concept of imposing a ceiling on any import which takes more than a set percentage of the market runs directly counter to this principle and, if it were widely adopted, would hit the United States harder than anyone else.

For a nation which leads the world in innovation and the dynamic pursuit of new opportunities it appears inconceivable to adopt and foster a policy of putting trade in a straitjacket.

The United States and the world has gained much from the persistent efforts which our Nation has made, since the end of World War II, to expand and liberalize international trade. We earnestly urge the continuation of these policies.

On behalf of the British-American Chamber of Commerce, we thank this eminent committee for this opportunity to appear and for your consideration of our views, Mr. Chairman.

(Mr. Kintner's prepared statement follows:)

STATEMENT OF EARL W. KINTNER OF THE BRITISH-AMERICAN CHAMBER OF COMMERCE

Mr. Chairman and Members of the Committee, my name is Earl W. Kintner, and I am a member of the Washington law firm of Arent, Fox, Kintner, Plotkin & Kahn. I am appearing before you today on behalf of the British-American Chamber of Commerce of New York to present the Chamber's views on a number of the tariff and trade matters which are the subject of these public hearings. The Chamber and its membership are vitally concerned with these matters and are deeply appreciative of this opportunity to appear.

The British-American Chamber of Commerce of New York has for its basic purpose the expansion of trade in both directions between the United States and the United Kingdom. More than 80 percent of the Chamber's members are

American citizens, American firms or American corporations having a principal office and place of business within the United States.[1] These include U.S. importers of British products and U.S. firms and individuals concerned with exporting U.S. products to the United Kingdom. The $350 or more U.S. firms who are members of the Chamber represent a total employment of over three million workers. For some of them trade with the United Kingdom is only a small part of their total business activity, but they all indicate by their membership in the Chamber that it is a part to which they attach importance.

The Chamber has asked me to appear to present its views to this Committee because of the very great importance which its members attach to safeguarding and increasing the flow of trade between the United States and the United Kingdom.[2] It is our belief that this trade brings about great and substantially equal benefits for both partners. We therefore support the legislation which the Administration has proposed to the Committee. The Chamber also wishes to oppose proposals, which are pending before the Committee, which would have the effect of restricting trade by imposing quotas or other artificial barriers to international trade.

In sum, we believe that international trade, unobstructed by artificial barriers, is in the long-term interest of the U.S. as well as its trading partners. For this reason, we generally support measures designed to promote U.S. exports, such as the Department of Commerce effort for export expansion. Conversely, we would like to see the elimination or reduction of restrictions on imports by the United States and by its trading partners. Trade expansion and not restriction, in our view, offers along with other measures, the best hope for the solution of our current balance of payments problem.

Significance of Trade Between the United States and United Kingdom

Trade between the United States and the United Kingdom has steadily expanded over the last ten years. U.S. exports to the United Kingdom in 1958 amounted to $905 million and, by 1967, had risen to $1,960 million. Moreover, over the same ten-year period, imports into the U.S. from the United Kingdom increased from $864 million worth of goods to $1,710 million.[3] There is no reason why this beneficial trend should not continue and lead to higher level of trade in the future, provided that additional barriers are not imposed.

It is important to note that the United Kingdom is the third largest export market for U.S. products, after Canada and Japan. Our exports to the United Kingdom between 1958 and 1967 have average from 5 to 7 percent of our total exports. The significance of the British market can be more fully appreciated by looking at the figures relating to particular commodities. In 1967, for instance, 18.8 percent of all U.S. exports of tobacco and tobacco manufactures, which totaled $752 million, went to the United Kingdom. Similarly 12.8 percent of our total exports of unmilled corn or maize, 10.6 percent of our exports of synthetic resins and plastic, 14.1 percent of our exports of office machinery and 11.2 percent of our exports of paper and paperboard went to the United Kingdom. Our present markets in the United Kingdom are thus substantial ones, and the concerned sectors of the U.S. economy are doubtless hoping to expand their export sales in the United Kingdom as the Kennedy Round tariff reductions become effective.

Reciprocally, the United States market is of exceptional importance for the United Kingdom: it is in fact the largest British export market. In 1966 and 1967, over 12 percent of total British exports were to the United States. Access to this market has greatly helped the development of a number of important British industries which could not operate effectively in a market limited to the United Kingdom itself. In evaluating the significance of trade and considering the

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[1] A portion of the Chamber's financial support comes from sources within the United Kingdom. The present testimony has been filed with the Department of Justice, Washington, D.C., where there is available for inspection the registration statement of The British-American Chamber of Commerce, 655 Madison Avenue, New York, New York 10021, under 22 U.S.C. Secs. 611–621 as agent of British National Export Council and Confederation of British Industry, in London, The Scottish Council, Development and Industry, in Edinburgh, and The Development Corporation for Wales, in Cardiff. Registration does not imply approval of this material by the United States Government.

[2] The British-American Chambers of Commerce of the Midwest (Chicago), of the Pacific Southwest (Los Angeles), and of San Francisco wish to be associated with the views expressed in this statement. These three Chambers represent a total of approximately 400 U.S. based firms, in addition to their overseas membership. Total employment of the U.S. based firms is approximately two million.

[3] Source: U.S. Department of Commerce, Bureau of the Census; Reports: FT 990, FT 420 and EM 450–55.

policies we should adopt in the United States we have to bear in mind that for a number of European countries, including the United Kingdom, trade is not a luxury, but a matter of vital national importance. The United Kingdom has a very limited raw material base and until the advent of nuclear power and the recent discovery of gas under the North Sea had no major domestic source of power other than coal. A market of 50 million people is by itself insufficient to support the large-scale modern technology which is the basis of much recent industrial development. We believe that countries in the position of the United Kingdom must be able to export in order to pay for the raw materials for their industry, for part of their sources of fuel and for a large part of their food supplies, much of them imported from the U.S. For them, prospects for future development and prosperity are inextricably linked with the development and expansion of foreign trade. It is for this reason that threats to existing and future levels of trade arouse such grave concern within the United Kingdom. Conversely, action which tends to open up markets on a reciprocal basis and which in general promotes the growth of world trade are very warmly welcomed and supported. The continuous growth of the U.S. market in the last ten years has been of great importance to British exporters, many of whom are represented in our Chamber of Commerce.

In addition to trade the two countries have an important stake in each other's prosperity in the form of large and profitable investments. American investment in Britain exceeds $5 billion and yields annual earnings of $500 million. This is a useful contribution to our balance of payments. British direct investment in the U.S. is worth about $3 billion, with annual earnings in the region of $250 million.[4]

There are, we believe, two main reasons why we in the United States should, in our own interest, look for ways to expand the flow of trade with the United Kingdom and should try to avoid action which might unnecessarily prevent its growth.

First, as I indicated earlier the United Kingdom is for us a major export market, of particular importance for a number of United States industries and branches of agriculture, which have a direct stake in the growth of British prosperity. Second, trade with the United Kingdom has consistently yielded a balance in favor of the United States, making a valuable contribution to easing our balance of payments problems. In the last ten years there have been only two years in which we had an adverse balance; and the total surplus of exports over imports exceeds $1.8 billion over the ten years.

A number of those who advocate the imposition of new restrictions on trade claim that this would be no more than reciprocity for the barriers maintained by other countries to the sale of American goods. We urge, on the contrary, that the United States must continue to strive for reciprocity in terms of reducing restrictions, rather than expanding them, if the longterm interests of all nations, including our own, are to be served. The creation of new trade barriers, unless they are justified by the most exceptional circumstances, will inevitably work against our own economic welfare, in restricting consumer choice, in compelling consumers to pay higher prices, and in fostering inefficient and unprogressive industries both here and abroad.

I have no wish to present an extensive justification for the British record on trade matters, and I would certainly not wish to claim that there are no points on which it can be criticized. Suffice it to say, however, that in the view of our members, who are engaged in trade in both directions between the U.S. and United Kingdom, there exist no obstacles to our exports to the United Kingdom which would justify the creation of new barriers against the import of British goods. British policies in this respect, it would appear, are not based on purely altruistic motives: as a nation heavily dependent on trade it is in the interests of Britain to bring about the removal of barriers to trade; and that, of course, requires the elimination of its own as far as possible.

As the Committee is no doubt aware, the whole problem of nontariff barriers is to be reviewed in a working party established by the GATT and we are confident that the United Kingdom will be found to be among those nations who have the fewest such obstacles to trade. It is also relevant in this context to refer to the initiative which the British Government took earlier this year when the U.S. balance of payments situation prompted consideration of the imposi-

[4] Source: U.S. Department of Commerce, *Survey of Current Business*, September 1965, 66, 67.

tion of an import surcharge or similar restrictive measures. The British response, which I believe was helpful and constructive, was to propose no less than the completion of the Kennedy Round tariff cuts of the major trading partners of the United States by next January, four years ahead of schedule. Although in the end the proposal which was formulated by a number of other governments was less far-reaching than the British Government had suggested, the original initiative showed that the United Kingdom consistently gives priority to avoiding the creation of new barriers to trade, and that there is a readiness to make costly sacrifices for this purpose. Certainly the creation of new restrictions on trade is not justified by the conduct of the United Kingdom as a trading partner.

Some common fallacies about international trade

Certain of the arguments presented against more liberal trade have sought to give the impression that imports are always directly competitive with a domestic product and, moreover, that they are normally sold on the basis of price advantage. In the case of many items which members of the Chamber handle as importers from the United Kingdom neither of these suppositions are true. In the first place, many imports fulfill a requirement which is not sufficiently met by domestic manufacturers. They complement our own production by providing a range of choice which the American consumer wants and is entitled to have. One obvious example of this is in the case of automobiles, where the American consumer who wants a smaller car has turned to imported products to meet his need. In other cases when imports appear at first sight to be directly competitive with American production this is often found not to be so on closer analysis. To take a simple example, British woolen products provide a range of quality which is not available from any other source. In addition, far from undercutting the nearest equivalent domestic product, the British cloth is normally at least 25% more expensive. It does, however, meet a legitimate demand of some American consumers who desire this particular grade of material. In our view it would be wrong to impose restrictions on the access of the American consumer to this sort of product.

It has also been suggested that lower wage levels in other countries provide an unfair competitive advantage and justify the imposition of restrictions on imports. We do not believe that it would be right to raise barriers to the flow of goods from other countries simply on this basis. The level of wages in any country reflects the overall development of the economy: it depends on the level of productivity, which is in turn influenced by the availability of raw materials and of investment capital, the skills and quality of training of labor and managerial personnel, the degree of modernization and the utilization of advanced technological practices, etc. If a country, an industry, or a firm attempts to pay wages above the level justified by its productivity the only result is higher prices and inflation or bankruptcy. There is no prospect for most other countries to be able to pay wage rates on the same level as the United States. Does this mean we should stop accepting their products whenever they compete directly with our own? The answer surely is that we must take account of all of the factors that enter into costs of production and not allow undue emphasis to be placed on a comparison of wage rates alone. With the advantages which we have achieved in terms of technological progress, the availability of a huge unified market, a highly skilled labor force and exceptionally qualified managerial personnel we should be well able to meet competition on equal terms.

In addition, concern has been expressed over the possible effect of imports on employment opportunities in the United States. We should be just as deeply concerned about the loss of existing jobs, dependent on U.S. export trade, which would be occasioned by the inevitable defensive measures taken by foreign countries on the creation of new import barriers here. In this connection, it should be noted, for example, that the $2 billion in annual exports which we now send to the United Kingdom represent at least 200,000 jobs, spread through practically every State in the Union. We should be careful not to endanger what we presently have in terms of actual, profitable employment in our export industries, in order to avert a hypothetical threat which imports might represent to certain jobs in the future. Nor should imports be treated as a scapegoat when, under the spur of competition, job opportunities in certain industries are modified by the concentration of production in more modern and efficient plants.

The administration proposals

The Committee is, of course, wholly familiar with the trade proposals recently submitted by President Johnson, which are embodied in H.R. 17551, and we shall not belabor them. We support this legislation and, in particular: (1) extension of

the President's authority to adjust tariffs through June 30, 1970, as necessary to give the President some flexibility in dealing with future trade developments; (2) modification of the rules governing adjustment assistance—the liberalization of trade may in some cases cause difficulties and hardship for domestic industries which are genuinely unable to meet competition from imports by improving their own competitiveness; in our view such industries are entitled to expect help from the national community which benefits at large from the greater prosperity generated by expanding foreign trade; and (3) elimination of the American Selling Price system of valuation.

Members of the Chamber who import chemicals into the United States have long been concerned about the problems created by the American Selling Price system of valuation. It is often impossible for an importer to know what rate of duty he will have to pay. Moreover, the rate which is finally determined frequently appears arbitrary and unfair to the importer in view of the price of his product. It is not surprising that this system has aroused widespread resentment in all countries which export to the United States good which are subject to this method of valuation. Our own exporters, including the chemical industry, would no doubt take the same view if the system were applied against them in other countries.

It has been asserted that manufacturers will be injured if deprived of the exceptional levels of protection which the A.S.P. system affords them. I think it is legitimate to ask three questions on this point:

Does the industry still require the protection of a system which was designed to safeguard an infant industry over 40 years ago?

Does the industry genuinely require tariff rates which effectively exceed 100% of the import cost of the product in several cases?

Does the industry require a system which is in fundamental violation of the principles which the major trading nations of the world agreed over 20 years ago should guide the methods of customs valuation in international trade? (I would recall that Article VII of the General Agreement on Tariffs and Trade stipulates that "The value for Customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values." General acceptance of this principle has been of benefit to U.S. exporters and has greatly eased the conduct of international trade.)

I believe that the answers to the three questions I have posed is that the benzenoid chemical industry is not in such a precarious condition that it genuinely requires this exceptional and unique treatment. As is pointed out in the President's message, "chemicals, and benzenoids in particular, are among our most efficient and rapidly expanding industries", and are in a "strong position to face normal competition from imports."

Even if someone were to believe to the contrary, there would still be presented the question of why this one segment of the very successful and dynamic U.S. chemical industry has for so many years remained in need of special protective treatment. Perhaps the answer here is that the asserted inability of the benzenoid sector of the chemical industry to compete could be attributed precisely to the long immunity from foreign competition which the American Selling Price system has conferred. There is no sound reason for permitting this situation to perpetuate itself. It is a basic tenet that healthy competition is the right stimulus for innovation and progress in our economy. It is difficult to see why the benzenoid chemical industry should be accorded protection that no other industry receives. It should be noted that, under the provisional agreement reached by our negotiators in Geneva, even with the elimination of the American Selling Price system of valuation, benzenoids would retain substantial tariff protection.

The details of the A.S.P. bargain have been analyzed in detail in testimony before the Committee, and I shall not burden you with repetition in this regard. I would just like to note one point in connection with the tariff reductions on chemicals generally. In trade with the United Kingdom, the agreement works out clearly in favor of the United States. U.S. exports of chemicals to the U. K. are worth about $170 million a year, and the tariffs which they face are to be substantially reduced—by as much as 62% in some cases—thus further opening up a large and growing market. If the agreement is put into effect there will be very few U. K. tariffs over 12½% in the chemical field; and the average will be below that figure. Many U.S. chemical tariffs will remain at 20% or higher and the

average level will be well above that of the United Kingdom. U.S. imports of chemicals from the U. K. are around $70 million a year, and only a small part of these are bezenoids.[5] When we take into account the existing flow of trade and the prospects for growth, the United States has an excellent bargain. Our chemical industry should be able to maintain and increase its existing large favorable balance in trade with the United Kingdom. For its part, the United Kingdom is apparently looking for an expansion of its trade in chemicals chiefly through further reduction of E.E.C. tariffs, which would follow the elimination of A.S.P. In other words, our chemical industry is to receive more than it gave up in its bargain with the U. K., with the latter receiving its principal benefits in Europe. This is, in our view, an excellent example of how multilateral trade works.

We believe that in future trade negotiations a great deal of emphasis must be placed on securing the removal of non-tariff barriers to trade such as A.S.P. This will not be easy to achieve: these barriers, which are frequently more effective than tariffs in securing immunity from competition for segments of national economies, are likely to be tenaciously defended by those who believe they benefit from them. Nevertheless there is no reason why negotiation should not succeed in removing many of the worst obstacles to the free flow of trade.

Import quota proposals pending before the committee

Finally, we wish to make a general statement regarding the various proposals for import quotas which are under the consideration of this Committee. In the view of the Chamber the imposition of quota restrictions would definitely be a retrogressive step which would damage the United States and also its trading partners in all aspects of international trade. It required an immense effort on the part of the United States Government to secure the removal of the quota restrictions which were crippling world trade in the period after the Second World War. The resulting liberalization was of great benefit both to the United States and to Europe. It is not too much to say that this was one of the major factors which enabled Europe to escape from the threat of economic paralysis and political extremism after the War and to emerge as a prosperous and independent partner of the United States. Are we now to go into reverse and to throw the world back into the tangle and chaotic web of restrictions from which we helped it to emerge?

We believe that all those who have had practical experience in attempting to conduct trade under a quota system will reject this alternative. All quota systems require an elaborate and expensive bureaucracy. The nation's resources can be spent on better things. Quotas are invariably inequitable because decisions about which exporters and which importers are to have a share can only be made on some arbitrary basis. Moreover, as soon as the market has been rigidly allocated by being artifically divided among approved suppliers, the normal laws of supply and demand can no longer operate effectively and prices are bound to rise.

One of the questions which has been raised is whether foreign countries would retaliate against quota restrictions on their trade. This is a question which can only be authoritatively answered by the governments concerned. However, it seems to the Chamber that it is fair to assume that defensive measures by other countries would be automatic. There is no reason to suppose that a massive interference with the normal flow of trade which the quota proposals now under consideration would represent, would not cause the trading partners of the United States to impose equivalent restrictions on our export trade. There are two points which are relevant here. First, the United States is the largest market in the world. In 1965 it took one-ninth of all world exports—$21 billion out of $186 billion. It is the No. 1 export market for many of the world's main trading countries—the United Kingdom, Canada, Japan and for Latin America and developing Asia. It is also No. 2 for Germany and Switzerland and ranks high for most of the rest. Second, we have a bilateral trade surplus with most of these countries and an overall surplus on trade. It is one thing to ask the rest of the world to acquiesce in temporary restrictions when one's exports are manifestly insufficient to pay for one's imports, but it is quite a different thing to impose restrictions when many of our trading partners already have a bilateral deficit with us and are having difficulty financing their purchases. We had practical experience of the way this works when we raised our trade

[5] Source: U.S. Department of Commerce, Bureau of the Census; Reports: FT 125, Dec, 1963–66; FT 135, Dec. 1967.

barriers in 1930. We cut down our imports, but we lost even more in exports. There followed a catastrophic decline in the world market in which our import restrictions did not help us to preserve our own prosperity.

It is also relevant to point out that the concessions which countries have extended to each other in trade negotiations in the form of agreed tariff reductions are based on the assumption that the other countries which will benefit from those reductions will go on in good faith to implement their side of the bargain. However, it renders the negotiations and agreements reached largely meaningless when one of the contracting parties subsequently impairs the bargain by unilaterally imposing import quotas, with the object of restricting access to its market.

The notion of setting aside a predetermined section of the market for imports and imposing a rigid ceiling above that level also seems to us to be wrong for the following reason. Trade is never static. It is dynamic and constantly changing. Many of the items which are now of major importance to the United States as an exporting country had hardly been heard of 25 years ago. It is safe to predict that in another 10 or 15 years time we shall be exporting technologically advanced products which are not yet even on the drawing-board. It would be our hope, that as the United States maintains its present position of technical leadership, many of these products will secure a dominant place in world markets. Other countries must also be expected to have and allowed to have successes in their own areas of excellence. The concept of imposing a ceiling on any import which takes more than a set percentage of the market runs directly counter to this prospect and, if it were widely adopted, would hit the United States harder than anyone else. For a nation which leads the world in innovation and the dynamic pursuit of new opportunities it appears inconceivable to adopt and foster a policy of putting trade in a straitjacket.

The United States and the world have gained much from the persistent efforts which our Nation has made, since the end of World War II, to expand and liberalize international trade. We earnestly urge the continuation of these policies.

On behalf of the British-American Chamber of Commerce, we thank this eminent Committee for this opportunity to appear and for your consideration of our views.

The CHAIRMAN. Thank you, Mr. Kintner, for bringing to us the views of the British-American Chamber of Commerce.

Are there any questions?

Mr. BYRNES. Mr. Chairman.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. Mr. Kintner, your group is basically interested, as I understand it, in the trade between this country and the United Kingdom.

Mr. KINTNER. Yes, sir.

Mr. BYRNES. What has your group done on the difference in the freight rate structure which is weighted against American trade going to Britain?

Mr. KINTNER. We have not intervened directly in this matter but we understand that the chamber is very much concerned in securing an equalization of freight rates east and west.

Mr. BYRNES. Why haven't you intervened? Why didn't you intervene, for instance, in the proceeding before the Maritime Commission which was concluded last January? You are against discrimination, and want to facilitate trade.

Here is a definite area of discrimination. The Examiner found that the rates were so unreasonably high as to be detrimental to the commerce of the United States, contrary to the public interest, and in violation of the Shipping Act.

These were hearings of the Maritime Commission. What I am trying to find out is why the chamber, which is interested in this matter, didn't interest themselves in this proceeding?

Mr. KINTNER. Mr. Byrnes, the chamber has not independently studied this problem. It is interested I can tell you as a matter of general policy in eliminating all restrictions which affect international trade.

Mr. BYRNES. Here is a clear restriction. In addition to the discriminatory rates, the British duties are applied against the goods and the freight—that is c.i.f. so the discrimination has a double-barreled impact.

Mr. KINTNER. I think your point is well taken, Mr. Byrnes, and I am prepared to recommend to the chamber that it consider this matter and make its views known to the Maritime Commission.

Mr. BYRNES. Thank you.

The CHAIRMAN. Any further questions?

Again we thank you, Mr. Kintner.

Mr. KINTNER. Thank you.

The CHAIRMAN. Mr. Clay, if you will identify yourself again for our record we will appreciate it. We remember your previous appearances.

STATEMENT OF HENRY J. CLAY, NETHERLANDS CHAMBER OF COMMERCE IN THE UNITED STATES, INC.

Mr. CLAY. Thank you, Mr. Chairman. My name is Henry J. Clay. I am a member of the law firm of Abberley, Kooiman, Amon, Marcellino & Clay of the city of New York. We are counsel to the Netherlands Chamber of Commerce in the United States, Inc.

The CHAIRMAN. Mr. Clay, if it becomes necessary for you to omit parts of your statement in order to comply with our situation your entire statement will be placed in the record.

Mr. CLAY. Thank you, Mr. Chairman. I do have a prepared statement and I would like to submit this for the purposes of the record. I would like to summarize one or two points if I may.

The CHAIRMAN. It will be included.

Mr. CLAY. Mr. Chairman, the trade between the Netherlands and the United States is extremely important to this country. Similar to the situation related to you by Mr. Kintner who represented the United Kingdom Chamber of Commerce, the Netherlands Chamber of Commerce in the United States is a chamber which represents some 800 firms or corporations, primarily American that are interested in the trade between the United States and Holland.

Holland, as you know, is a gallant little nation of some 12 million people who was one of the beneficiaries of the U.S. assistance in Europe to assist in the recovery of nations that were ravaged by World War II.

It is primarily a trading nation. Through its ports of Amsterdam and Rotterdam you have the gateway to northwestern Europe.

It services a vast commercial community which uses the Rhine River and through these two ports some 200 million Europeans are affected.

Holland is a free trade nation. It supports the flow of free trade into that country. It has benefited substantially from the Kennedy round agreements and from GATT and will continue to benefit in the forthcoming round. Holland imports from the United States, 1967 figures, $1,238 million of products, which is about 4 percent of the total

U.S. exports, and it ranks as the third best customer in Europe and fifth globally of U.S. foreign trade.

The United States is a nation of some 200 million people. It imported in the same period from the Netherlands, approximately $372 million of goods, ranking seventh in Europe of goods sold to the United States.

The dollar volume of exports versus imports puts the United States in a most favorable trade balance, approximately 3 to 1, which in turn places Holland in the position of being the foremost dollar producing nation in the Common Market as far as the United States is concerned.

One of the concerns in the President's recommendations to the Congress, especially in relation to the proposed Trade Expansion Act of 1968, is the problem of the balance of payments. We support the President's recommendation for a Trade Expansion Act of 1968 because we feel that the balance of payments will be improved on the following basis: That world trade has risen to unprecedented levels since World War II with U.S. exports excxeeding the imports.

Earnings from U.S. investments abroad have been greater than investments placed abroad.

Thus, the basic strength of the private sector is very apparent. It seems fair to say that the problem in government, namely, military and economic, aid is the problem that we are faced with in the imbalance of payments.

Others must be encouraged to a greater role. Other nations must assist in the defense in the free world and in the economic development of developing nations.

Mr. Chairman, we would oppose those proposals presently pending before this committee which restrict trade by imposing quotas or artificial barriers to international trade. We would commend to your committee the excellent editorial which appeared in Friday's New York Times entitled, "Trade Winds in Congress."

One of the statements made which bears repeating states that:

> As the biggest of world traders the United States would have more to lose than gain from an import surcharge because other countries would be certain to retaliate.

The proposed legislation is part of this Government's program to expand international trade. We are increasingly dependent upon foreign markets. Some 4½ million Americans derive their livelihood from foreign trade.

Mr. Chairman, any serious restrictions on the trade activities as presently conducted certainly would affect the employment of these many persons. The chamber is not concerned with the likelihood of retaliation abroad from such restrictions. It does fear that these restrictions imposed by Congress would reduce U.S. exports abroad and the consequent deterioration of the U.S. competitive position abroad.

We feel that this is extremely important. U.S. exports have leveled off and the fear of retaliation to reduce those might further place us in an imbalance. It is for these reasons, Mr. Chairman, that the Netherlands Chamber of Commerce in the United States wholeheartedly supports the President's proposal as contained in the proposed Trade Expansion Act of 1968, and I thank you for the opportunity to appear before you, sir.

(Mr. Clay's prepared statement follows:)

STATEMENT OF HENRY J. CLAY, NETHERLANDS CHAMBER OF COMMERCE IN THE UNITED STATES, INC.

Mr. Chairman and Members of the Committee, my name is Henry J. Clay. I am a member of the law firm of Abberley, Kooiman, Amon, Marcellino & Clay of the City of New York. We are counsel to the Netherlands Chamber of Commerce in the United States, Inc. This Chamber represents more than 800 firms or corporations throughout the country engaged primarily in export-import, freight forwarding, insurance, travel, manufacturing and banking which do business in the Netherlands. The Chamber and its members welcome this opportunity today to comment on the proposed "Trade Expansion Act of 1968".

The message of the President to the Congress of May 28, 1968 accompanying the proposed legislation now before your Committee is a most competent factual statement of the country's need in this area. We applaud President Johnson for this worthy and forthright statement of principal in a vital field which, in one way or another, affects the lives of every citizen in this country and multitudes abroad. The proposed abolition of the American selling price in the Act is an important contribution to the implementation of the Kennedy Round, a matter to which our membership attaches great importance.

INTRODUCTION

From the very early days of the beginnings in America, trade has been the basis on which we have flourished and progressed. Foreign trade—that is the exports and imports—is a vital part of our domestic economy and a most important part of our foreign policy. As our country has grown, we have passed through the era of economic isolation (self-sufficiency) of the 19th Century, through the early 20th Century period during which Congressman Cordell Hull urged legislation to reduce excessive tariffs and other import restrictions, through the Roosevelt administration which saw enactment of the Trade Agreement Act to 1947 when bilateral trade agreements with some twenty-nine countries were consolidated in the General Agreement on Tariffs and Trade (G.A.T.T.) and currently to the "Trade Expansion Act of 1968" presently before this Committee for consideration. This journey has been over a long and tedious road, but, in spite of the growing pains, we have become the most powerful, the most productive nation in the world. We must now look to the future to preserve our gains and secure our leadership in free world trade.

The early Dutch settlers in Nieuw Amsterdam were principally Dutch traders. These early traders made a material contribution to the development of trade between America and Europe which was to result in this country burgeoning into an impressive commercial and maritime power. The Netherlands Chamber of Commerce in the United States, Inc. is primarily interested in trade between the United States and the Netherlands. The Chamber is of the opinion that any unreasonable trade restrictions on goods flowing from Holland to the U.S. would ultimately hurt the United States more than it could possibly hurt Holland. Reduction in Holland's exports to the United States would directly affect the ability of the Dutch customer to purchase American goods. The present ratio which is 3:1 is in favor of the United States as will be shown.

It is our view that any U.S. trade policy which in modern day trading imposes protectionist legislation affecting world trade would result in slow strangulation. The American leadership in supporting the Kennedy Round Agreements and G.A.T.T. can and should be continued and extended through passage of the proposed "Trade Expansion Act of 1968". This is in the best interest of U.S. trade abroad.

HOLLAND-AMERICAN TRADE

Holland is a trading nation of some 12,000,000 persons whose national income in 1967 was 20 billion dollars. Its total foreign trade represents 75% of this income—or 15 billion dollars. Its imports from the United States in 1967 amounted to $1,238,000,000 which is about 4% of the total U.S. 1967 exports and ranks it as the third best customer in Europe and fifth globally of U.S. foreign trade. The United States, a nation of some 200,000,000, imported from the Netherlands during 1967 approximately $372,000,000 of goods, ranking seventh in the European market of goods sold to the U.S. (West Germany: $1,955 million; Great Britain: $1,710 million; Italy: $856 million; France: $690 million; Belgium and Luxembourg: $584 million and Switzerland: $383 million.) The dollar volume of exports versus imports puts the United States in a most favorable

trade balance (approximately 3:1), which in turn places Holland in the position of being the foremost dollar producing nation of the Common Market as far as the U.S. is concerned.

BALANCE OF PAYMENTS

Much has been said and written about our balance of payments problem. We do not care to add to the vast information and materials available to the Committee on this subject except to make one or two observations.

The net outflow of U.S. dollars, it seems safe to conclude, has been due to the foreign operations of the government, the overwhelming amount of which has been for foreign aid and military expenditures. Whether the extent of such outlays has been wise is increasingly put to question. One thing is certain however, the U.S. foreign economic activity has run a strong surplus.

During 1967, the U.S. had an export surplus in its trade with the European Common Market amounting to $1,589 million, of which more than half ($856 million) represented the U.S. surplus in trade with the Netherlands.* It would seem unwise, in our view, to disturb, through trade restrictions, such a continuing favorable balance of payments at a time when there is such an obvious imbalance in other parts of the world through our current military and other government commitments.

We would repeat that the facts of the matter indicate that the current balance of payments deficits have resulted not from U.S. foreign economic activity or trade imbalance but from the net outflow of gold due to the government's foreign operations for economic aid and military expenditures which total $110 billion from 1948 through 1967. The private sector, on the other hand, shows a net trade surplus of some $84 billion for the same period. In due course, it is hoped, our balance of payments will return to normal when the extraordinary defense expenditures have been reduced or obviated.

The Netherlands has a tradition of free trade. It supports the free flow of trade into that country. It is basically a commercial country which has benefited from the Kennedy Round and G.A.T.T. Tariff reductions are essential if Holland is to continue to purchase American goods—which current sales exceed $1,250,000,000 per year. Any program which moves toward reduction of trade barriers is a step in the direction of one trading free world. Through the exchange of such commerce, the lives of our citizens will be enriched and the road opened for world peace.

CONCLUSION

This proposed legislation is part of our government's program to expand international trade and to stimulate our domestic economy. At the same time, it will provide this country with an opportunity to unify the West economically and build a position of strength for competition with the Soviet bloc. It will permit the United States to become a leader in the economic strategy for the West. The result will be a responsible long term program to maintain the West's competitive position in the world markets. Hopefully, such a program would also assist in relieving the balance of payments problem.

We are increasingly dependent upon foreign markets. Some 4½ million Americans derive their livelihood from foreign trade. Any serious restrictions on the trade activities as conducted under the presently proposed law would affect the employment of many of these persons.

The Chamber is not concerned with the likelihood of retaliation from abroad resulting from trade restrictions. It does fear that those trade restrictions imposed by the Congress would result in a reduction of U.S. exports abroad and the consequent deterioration of the U.S. competitive position abroad. At the present time, U.S. exports abroad have leveled off after an impressive increase in trade volume from 1958 through 1962. It is our fear that any trade restrictions imposed at the present time could very easily decrease U.S. exports abroad. The "Trade Expansion Act of 1969" would remove the principal reasons for such fear.

It is for these reasons that the Netherlands Chamber of Commerce in the United States, Inc. wholeheartedly supports the President's proposal as contained in the proposed "Trade Expansion Act of 1968".

*Source: U.S. Dept. of Commerce, Bureau of Census: Highlights of U.S. Exports and Import Trade, FT 990, Dec. 1967, pp. 10 and 48; and FT 420, Calendar Year 1958.

The CHAIRMAN. We thank you, Mr. Clay. Are there any questions?

Mr. BYRNES. Just one question, Mr. Chairman.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. You said that the Netherlands is a free trading country. Yet they employ quantitative restrictions, don't they, quotas?

Mr. CLAY. With limitations.

Mr. BYRNES. Well, they don't have them on everything.

Mr. CLAY. As far as I know, Mr. Byrnes, there are some very limited restrictions. It is known as a free trade nation. It is not primarily involved in manufacture. Some 40 percent of its people relate to trade and the use of trade facilities, the banking, the export, import, the handling, the warehousing. Their primary activity outside of dairy products is trade and the handling of trade through its ports.

Mr. BYRNES. Then why do they license certain cotton fabrics, artificial textile fibers, wool and fine hair, flax hemp, zinc sheets, strips, minerals, and chemical fertilizers? I am only interested in getting the record straight.

You mention them as a free trade country and yet I find that they impose quantitative restrictions in these areas, and also engage in licensing, which is probably as strict as you can get. They have a global quota on penicillin. They use the turnover tax. They also have particular restrictons on manufactured tobacco products.

I just mention these to put matters in context. I think too often that everyone but the United States is assumed to be free traders. They are always free traders and we are a restrictive country, but when you look into the situation you find that we apparently apply different criteria to how we conduct ourselves and how others do.

What is free trading there becomes restrictionist here if we have similar policies.

Mr. CLAY. Mr. Byrnes, your question is a very fair question. I would like to repeat that Holland is not a manufacturing country as such. Most of its trade relates to carrying goods from one nation to another. There is some manufacturing in the Netherlands.

The primary products, as you know, are dairy products, the exporting of cheeses and the like to the United States, tulip bulbs, and the like. There may be some licensing of which I am not at this moment prepared or qualified to answer, but I would like, in view of your question, to prepare a memorandum to submit to you, sir, on behalf of the chamber, hopefully able to answer your question. I am sorry that I am not more qualified right now.

Mr. BYRNES. What is the question that you are going to answer?

Mr. CLAY. I am going to try to answer the reason and give you facts and figures as to what volume, if any, there is relating to these licensing agreements.

Mr. BYRNES. I don't think it is a matter of the volume. It is a matter of the principle. You have primarily been talking in terms of principle, not in terms of volume. You said in your statement that the Netherlands was a free trade country and I just thought that we ought to find out whether it is free trade or not.

Mr. CLAY. In relation to all the European Common Market countries, it is. I am not qualified or competent at this moment to answer that question, but I would like to submit to you a memorandum, or to the committee, on this point.

I am not qualified to answer that.

The CHAIRMAN. Without objection, that will appear at this point in the record.

(The following letter was received by the committee:)

ABBERLY, KOOIMAN, MARCELLINO & CLAY,
New York, June 25, 1968.

Hon. JOHN W. BYRNES,
Rayburn House Office Building, Washington, D.C.

MY DEAR MR. BYRNES: On June 17, 1968 during my appearance as a public witness before the House Committee on Ways and Means in support of the proposed "Trade Expansion Act of 1968", you asked a question on certain quantitative restrictions and licensing requirements imposed by the Netherlands Government on a number of products. We are pleased at this time to submit to you advice on this inquiry of yours.

The Netherlands Government has placed a quantitative restriction on the import of coal. The European Coal and Steel Community, of which the Netherlands is a member, recommended that the Netherlands Government close its coal mine operations for economic reasons. The use of restrictions was to provide an orderly process to close down these mines by the end of 1970. There exist two other quantitative restrictions; penicillin and nitrogenous fertilizers. The above listed restrictions are mentioned in G.A.T.T. Document (G.A.T.T. L/2740/ ADD April 6, 1967). However, these quantitative restrictions are applied in a liberal way.

You also raised a question on the licensing requirements of certain man made fibers. We have been advised that there are a number of products, including man made fibers, which are subject to Government licensing for imports into the Netherlands. The licensing procedure is used solely for administrative purposes. There is no restriction on the issuance of licenses for the import of the several items involved. The sole purpose of the Government in utilizing the licensing procedure is to obtain accurate information on the amount of annual imports of the various products so covered.

Very truly yours,

HENRY J. CLAY.

The CHAIRMAN. Any further questions?

Thank you again, Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Coerper, if you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENT OF MILO G. COERPER, GERMAN AMERICAN CHAMBER OF COMMERCE

Mr. COERPER. Thank you, Mr. Chairman. Mr. Chairman and distinguished members of the Committee on Ways and Means, my name is Milo G. Coerper. I am a partner of the law firm of Coudert Bros. and am the Washington counsel for the German American Chamber of Commerce. I am making this statement on your invitation, on behalf of the chamber. The chamber was incorporated in the State of New York in 1947. It is registered under the Foreign Agents' Registration Act because it receives some of its financial support from abroad. It is a binational organization with some 850 members, half of which are U.S. firms and half of which are German firms, thus representing businessmen from the two largest trading nations in the world. One of its primary concerns is the fostering of two-way trade between the United States and Germany.

Its members are as interested in exports from the United States to Germany as they are in exports from Germany to the United States. Moreover, the chamber is aware of this committee's concern with the

present U.S. balance-of-payments problems and its desire, in this context, to be apprised of possible measures directed at maintaining a favorable balance of trade for the United States.

The chamber would like to point out that the German trade and payments surplus situation is such that it exerts an adverse pressure on the German economy and the international monetary situation; and that it is, therefore, in the interest of Germany, as well, to rectify this situation by increasing imports to Germany in every way possible. This is the official position of the German Government. At a recent meeting of the National Chambers of Commerce of Germany a high German official, as well as representatives of German industry and trade, urged increasing imports into the Federal Republic of Germany.

Mr. Chairman, at this point I would like to read a telex that we received from the German National Chamber of Commerce to the German American Chamber of Commerce just recently.

I quote:

The German National Chamber of Commerce kindly requests that you devote special attention at this time to promoting U.S. exports to the Federal Republic of Germany. Please emphasize our concern at forthcoming trade hearings. At the meeting of the executives of German Chambers of Commerce in foreign countries just concluded in Hanover both the government of the Federal Republic and the German National Chamber of Commerce acting on behalf of German business agreed that German foreign trade is not a one-way street.

On the contrary, only a balanced development of exports and imports can serve the mutual interest of the trading partners. Only by adhering to basic free trade principles can we achieve success in face of protectionist trends which have created uneasy conditions on both sides of the Atlantic.

Our wish for a build up of U.S. exports to the Federal Republic is based also on the reality of current trade trends.

In the first quarter of 1968 German exports to the United States climbed considerably over the level achieved in the corresponding quarter of 1967. At the same time, German imports from the United States registered only a moderate advance.

This development of German-American trade does not conform at all to Germany's foreign trade in general. Currently German imports are rising faster than exports on the strength of the economic resurgence now taking place in the Federal Republic.

The manifold opportunities for increasing U.S. exports to Germany have therefore not been fully realized as yet. For all of these reasons the German National Chamber of Commerce is asking the German American Chamber of Commerce to do everything in its power to support American exports to the Federal Republic. We on our part will do our utmost to support your endeavors.

The German American Chamber's members are as interested in exports from the United States to Germany as they are in exports from Germany to the United States.

The chamber has always been and continues to be a strong advocate of increasing international trade. This naturally assumes a desire to eliminate all forms of barriers to fair international trade. The chamber seeks the removal of such barriers, not only in the United States, but also in Germany.

The chamber assumes that this committee is more interested in positive efforts to improve the U.S. balance of trade, for example, through the promotion of U.S. exports, than it is in actions which would restrict fair international trade.

With this assumption, the chamber would like to briefly review with the committee the trade picture between the United States and Germany and the action this chamber is now taking to encourage U.S. exports.

As this committee probably knows, the United States has had a favorable trade balance with Germany since the resumption of trade after World War II through 1967. We are aware of the situation for the last 3 months, but we believe this is very temporary and will be correctible through the rest of 1968.

We have set forth below some annual trade figures for the years 1950 through 1967. I would like to point out, Mr. Chairman, that these are figures from the German Federal Statistics Office and you will see that the U.S. exports to Germany are generally substantially higher than American figures. The difference is due to two factors, and I believe that the U.S. Department of Commerce is aware of these factors.

One factor is, as I understand it, that our export figures do not include any figure on German purchases of U.S. military equipment. The other factor is the difference, to some degree, in ports in which exports to Germany are brought in.

Apparently a number of exports to Germany are brought into some of the ports in the Netherlands—the Low Countries—and are treated as exports to those countries, whereas in fact they are exports to Germany.

[In millions of dollars]

Year	U.S. exports	U.S. imports	U.S. plus balance
1950	413	102	311
1951	647	236	411
1952	596	249	347
1953	395	298	97
1954	532	295	237
1955	764	388	376
1956	952	498	454
1957	1,341	594	747
1958	999	630	369
1959	1,090	899	191
1960	1,423	887	536
1961	1,516	870	646
1962	1,760	966	794
1963	1,988	1,051	937
1964	2,017	1,197	819
1965	2,299	1,436	863
1966	2,294	1,795	499
1967	2,139	1,966	174
Total 1950–67	23,165	14,357	8,808

Source: German Federal Statistics Office.

Even though the United States has had such a favorable balance, the German economy has obviously benefited from this free flow of trade and has not itself sought any substantial change to this balance. However, when this free trade flow began to be threatened with requests from certain industries within the United States for quotas and other forms of protection and when fears were raised that the U.S. balance of trade would suffer in the absence of such restrictions, the chamber sought positive means to assist the United States and concluded that a stringent effort to promote exports would be the best answer. In this connection, it advocated, as did the German Government, the unilateral acceleration by the Common Market of the Kennedy round tariff cuts. As you know, such a proposal has been conditionally approved by the Common Market countries. Moreover, the chamber, itself, felt that it could be of substantial assistance to U.S.

businessmen who might want to initiate or increase exports to Germany, but didn't have the know-how, contacts, or facts necessary to do so.

Accordingly, the chamber has met with various officials of the Department of Commerce in Washington and New York and has worked out some detailed proposals as to how the chamber could, specifically, through its connections and influences in Germany, assist the promotion of U.S. exports to Germany in close cooperation with the Department of Commerce and businessmen of both countries.

The chamber is sure that this program will pay off, not only because of its inherent value, but because of many other factors now appearing on the economic scene. Among these factors are the following:

1. The renewed confidence in the U.S. dollar due to the apparent agreement of the administration and the Congress for the need to cut spending and increase taxes so as to stem the inflationary pattern in the United States—this will allow U.S. exporters to hold the price line and thus keep the export channels open.

2. The now apparent increasing inflation in Europe brought about by, among other things, increases in wages in Europe—thus making U.S. export prices more competitive in European markets.

3. And the most important factor—the increasing prosperity in Europe now expected to run at least through 1970, thus allowing increased consumer purchases in Europe of U.S. exports.

Accordingly the chamber respectfully suggest that this committee should allow these new economic factors to operate at least for a short period of testing, coupled with positive efforts, such as a strong export promotion program, to see the possible results before it succumbs to restrictive measures which could worsen rather than improve the U.S. balance of trade.

The chamber fears that any steps such as an import surcharge or quotas will only trigger countermeasures in other countries. As this committee knows, representatives of the United States and other countries are now studying all forms of nontariff barriers under the auspices of the GATT. We understand the U.S. representatives will make strong representations as to such barriers existing in other countries. We feel there is a good chance of removing many such barriers. This, of course, would be impossible if the United States now, itself, increase such barriers to trade.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, Mr. Coerper, for your statement.

Any questions?

Again we thank you.

Mr. Gottschalk? If you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENT OF ROBERT M. GOTTSCHALK, COUNSEL, BELGIAN-AMERICAN CHAMBER OF COMMERCE IN THE UNITED STATES, INC.

Mr. GOTTSCHALK. Mr. Chairman and members of the committee, my name is Robert M. Gottschalk. I am a law partner in the firm of Gottschalk & Frankfurt, 200 Park Avenue, in New York City, and

Coudert Bros. in Brussels, Belgium. I am a member of the board of directors of the Belgian-American Chamber of Commerce in the United States, Inc., which is a New York corporation with principal offices at 50 Rockefeller Plaza, New York. I am also counsel to such chamber and it is in this latter capacity that I appear before you.

The CHAIRMAN. If you have to omit any part of your statement in order to comply with our very rigid situation today, do so with the understanding that the entire statement will appear in the record.

Mr. GOTTSCHALK. Thank you very much, Mr. Chairman.

The Belgian-American Chamber of Commerce in the United States, Inc., is an organization composed of Both United States and Belgian members. Included in its membership are some of the most prominent U.S. corporations and financial institutions.

In this presentation today to your committee, our chamber believes that is is serving both the best interests of its members and the interest of the United States.

The Belgian-American chamber strongly supports the proposed Trade Expansion Act of 1968 as submitted to the Congress and referred to the House Committee on Ways and Means on May 28, 1968, at the request of the administration. Our chamber also endorses, with admiration for its clarify and substance the message of the President accompanying its submission.

The Belgian-American chamber desires to respectfully submit its own thoughts for your consideration.

I. It is clear today that the purpose and ultimate success of the General Agreement on Tariffs and Trade and of the Kennedy round is to reach a "fair" balance of trade. This is not what is too often referred to as a "favorable" balance of trade, but rather the level at which reasonable trade relationships exist between participating nations.

The definition of a "fair" balance of trade must of necessity include times when the balance of trade will favor one nation as against another, and times when certain segments of the industry of one nation will benefit more than others from its exports or suffer more than others from imports. These are not evils but inevitable consequences of the development of free trade and are a part of the environment within which nations may nurture their best productive capacities and efficiencies for the benefit of themselves and others.

It is when and where the suffering begins that the greatest care must be exercised to refrain from being tempted to resort to protectionism as a solution to localized problems within the economy. The aim, where suffering does occur, is to meet the problems in constructive patterns including, where necessary, governmental assistance within the economy itself.

The development of a fair balance of trade must be paralleled by a determination to improve the efficiency and competitive strength of all industries.

The overall competitive success of the United States in the world market during the last five decades should provide enough evidence that the United States has nothing to fear in this respect. The United States without a doubt is recognized as the technological leader in the world and as the innovator of managerial advances which far exceed the capabilities of any other nation.

II. The Belgian-American Chamber of Commerce accepts the concern reflected in the Trade Expansion Act of 1968 for those industries where serious injury has proven to be the result of imports or where such injuries are clearly threatened.

The remedies contained in the act make it clear that the United States is prepared to meet the challeges of international trade by its own efforts without resorting to a blockade of its border with import quotas or prohibitory tariffs. This policy of domestic discipline and of concern for those who are injured, recognizing as it does the enormous benefits to be gained by the country's consumers, is consistent with the U.S. position of world leadership.

III. There are two fundamental benefits to be derived by the United States from the liberalization of international trade policies. The first concerns the open accessibility of overseas markets which will permit the outflow of American goods. These foreign markets are a major sustaining factor in the economic growth of America and the essential growth of its employment and productivity.

Second, we must become increasingly aware of the dependence of our overseas enterprises, built with U.S. dollars, owned by U.S. entities, nurtured by U.S. ingenuity, on free trade for their economic realization.

In Belgium alone during the period from 1959 through and including 1967 American-owned enterprises invested more than $1 billion in plant development, improvement, and expansion. Funds for these investments came from both American sources and large-scale European borrowing as well.

The interesting fact of these investments is that in many instances neither Belgium nor for that matter the Common Market could conceivably absorb their output.

Whether built with dollars or funds from abroad, U.S. enterprises overseas are relying on the soundness of the U.S. economy and are just as dependent on an environment of free trade as our American industries.

The United States has sown the seeds of expansion abroad at a substantial cost for the return of benefits, seeds which for their nurturing require, and will in the future require, the availability of multinational markets, and which will permit not only the repatriation of the invested dollars but future additional benefits as well.

Protectionism in any form whatsoever, initiated by one country or imposed by another as retaliation, would not only endanger the structure of our domestic economy but would also jeopardize the markets which our overseas expansion was created to serve.

IV. The position taken by the United States in the General Agreement on Tariffs and Trade and the recently concluded Kennedy round, as well as the position contained in the submitted Trade Expansion Act of 1968 are consistent with the responsibility of the United States as a world trade leader. The very stability of the free world's markets is dependent upon the leadership of the United States and the soundness of its policies. Should the United States move toward restrictive trade policies or threaten to do so, it is clear that the consequences would be retaliatory protectionism and chaos in international trade from which no one could emerge a winner. This is not an assumption on our part but is a fact which was clearly dem-

onstrated in 1962 when, as a result of increased tariffs imposed by the United States on flat glass products and on carpets in a matter of days retaliatory measures were taken by the European Common Market countries against American chemical and plastic products.

These measures and countermeasures were prophetic indications of the futility of protectionism.

V. It is essential that the liberalism demanded of the United States in the Trade Expansion Act of 1968 be fully matched by this country's economic partners.

The Belgian-American Chamber of Commerce shares the concern of the administration and of this committee with any devices used by any nation to circumvent the free flow of international commerce by the placing of major nontariff barriers in the path of free trade. The chamber wishes to express its opposition to such barriers whether they be legal or illegal under our international agreements.

In conclusion the Belgian-American Chamber of Commerce in the United States, Inc., on behalf of its members urges most respectfully that this committee recommend the proposed Trade Expansion Act of 1968. It is the chamber's firm belief that the adoption of the act will be another major step forward in reaching greater international prosperity and understanding.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, sir, for bringing to us your statement. You have along with your remarks some statistics that I think should be in the record dealing with U.S. exports to Belgium and Luxembourg and U.S. imports from Belgium and Luxembourg.

Also would you like to have in the record the membership of your group?

Mr. GOTTSCHALK. Yes; I would, Mr. Chairman.

The CHAIRMAN. And also the American firms which have subsidiaries in Belgium.

Mr. GOTTSCHALK. Yes, indeed, Mr. Chairman.

The CHAIRMAN. Without objection that material will appear in the record at this point.

(The information referred to follows:)

APPENDIX I

THE BELGIAN-AMERICAN CHAMBER OF COMMERCE IN THE UNITED STATES, INC., NEW YORK, N.Y.

MEMBERS IN THE UNITED STATES [1]

ACEC Electric Corporation, New York, N.Y.
African Metals Corporation, New York, N.Y.
AGFA-Gevaert, Inc., Teterboro, N.J.
Airco Welding Products International Dept., New York, N.Y.
Allegheny Ludlum Steel Corporation, Pittsburgh, Pa.
Alltransport, Inc., New York, N.Y.
(The) American Express Co., Inc., New York, N.Y.
American International Underwriters Corporation, New York, N.Y.
American Petrofina, Inc., New York, N.Y.
American Union Transport, Inc., New York, N.Y.
Amerlux Steel Products Corporation, New York, N.Y.
Amsterdam Overseas Corporation, New York, N.Y.
J. Aron & Company, Inc., New York, N.Y.

[1] With voting rights; list updated June 10, 1968.

Associated Metals & Minerals Corporation, New York, N.Y.
Avon Products, International Division, New York, N.Y.
Bache & Company, Inc., New York, N.Y.
Howard H. Bachrach, New York, N.Y.
Baker Irons & Dockstader, Inc., New York, N.Y.
Baltimore Aircoil Company, Inc., Baltimore, Md.
Bank of America N.T. & S.A. (International), New York, N.Y.
(The) Bank of New York, New York, N.Y.
(The) Bank of Nova Scotia, New York, N.Y.
Bankers Trust Company, New York, N.Y.
Banque de Bruxelles S.A., New York, N.Y.
Bauer International Corporation, New York, N.Y.
A.G. Becker & Company, Inc., New York, N.Y.
Bekaert Steel Wire Corporation, New York, N.Y.
Belgian American Education Foundation, Inc., New York, N.Y.
Belgian American Mercantile Corporation, New York, N.Y.
Belgian Linen Association, New York, N.Y.
Belgian Line Association, New York, N.Y.
Belgo-American Development Corporation, New York, N.Y.
Boyd, Weir & Sewell, Inc., New York, N.Y.
Broadloom Imports, Inc., New York, N.Y.
Brown Brothers Harriman & Company, New York, N.Y.
Brown, Crosby & Company, Inc., New York, N.Y.
Irving Brown Printing Corporation, New York, N.Y.
Brussels Restaurant, New York, N.Y.
Bunge Corporation, New York, N.Y.
Burnham & Company, New York, N.Y.
Calvert, Vavasseur & Company, Inc., New York, N.Y.
Mitchell B. Carroll, New York, N.Y.
Caterpillar Tractor Company, Peoria, Ill.
Jean Cattier, c/o White, Weld & Company, New York, N.Y.
Celanese Corporation, New York, N.Y.
(The) Chase Manhattan Bank N.A., New York, N.Y.
Chemical Bank New York Trust Company, New York, N.Y.
Chevron Oil Europe, Inc., New York, N.Y.
Cities Service Company, New York, N.Y.
Clark-Schwebel Fiber Glass Corporation, New York, N.Y.
Clayton Manufacturing Company, El Monte, Calif.
Cleary, Gottlieb, Steen & Hamilton, New York, N.Y.
(The) Coca-Cola Export Corporation, New York, N.Y.
Continental Bank International, New York, N.Y.
Continental Grain Company, New York, N.Y.
Ken Cook Publishers International, Milwaukee, Wisc.
Coppee-Rust, Pittsburgh, Pa.
Cox, Langford & Brown, Washington, D.C.
Credit Lyonnais, New York, N.Y.
(The) Crispin Company & Continental Tube Div., Houston, Tex.
Crocker-Citizens National Bank (International Banking Department), San Francisco, Calif.
Cushman & Wakefield, Inc., New York, N.Y.
Day & Zimmerman, Inc., New York, N.Y.
Dorothy Dean, Inc., Milwaukee, Wis.
Deering Milliken, Inc., New York, N.Y.
Daniel De Gorter, Inc., New York, N.Y.
John De Gorter, Inc., New York, N.Y.
Delightform Manufacturing Company, Inc., Easton, Pa.
De Luxe Laboratories, Inc., New York, N.Y.
Louis Dembitzer, Ridgefield, Conn.
Raymond Dereume International, Inc., Punxsutawney, Pa.
Eric G. de Spirlet, Bronxville, N.Y.
(The) Detroit Edison Company, Detroit, Mich.
Paul J. Devignez, Inc. (Phenix Works), New York, N.Y.
Diamond Distributors, Inc., New York, N.Y.
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APPENDIX 2

[Millions of dollars]

Year	U.S. exports to Belgium/ Luxembourg	U.S. imports from Belgium/ Luxembourg	Balance
1951	377	216	161
1952	292	189	103
1953	239	236	3
1954	272	192	80
1955	322	242	80
1956	437	304	133
1957	423	270	147
1958	332	268	64
1959	351	416	65
1960	439	364	75
1961	420	351	69
1962	448	386	62
1963	524	379	145
1964	629	420	209
1965	643	494	149
1966	686	567	119
1967	704	584	120

Source: Statistical abstract of the United States.

APPENDIX 3

[In millions of francs]

Year	Belgian imports from all countries	Belgian imports from the United States
1951	127.517	20.558
1952	123.023	18.070
1953	121.128	12.438
1954	127.493	13.129
1955	142.202	15.673
1956	163.624	20.429
1957	171.622	21.247
1958	156.447	15.497
1959	172.090	16.252
1960	197.854	19.551
1961	210.952	18.740
1962	227.771	22.533
1963	255.603	23.597
1964	296.123	26.238
1965	324.845	27.533
1966	358.701	28.453
1967	358.795	29.493

Source: Annuaire statistique de la Belgique.

Appendix 4

American Firms With Subsidiaries and Affiliates in Belgium

(Source: U.S. Department of Commerce (Sept. 1967))

Abbott Laboratories Inc., Chicago, Illinois.
Abex Corporation, New York City, N.Y.
Abig Quiet May Belgium, S.A. (US Private Interests), Brussels.
Adams-Millis (Europe), Inc., High Point, North Carolina.
Addressograph-Multigraph Corp. (International Division), Cleveland, Ohio.
Aircraft Suppliers Inc., Nutley, New Jersey.
Air Express International Corp., John F. Kennedy Airport, New York.
Air Reduction Co., Inc., New York City, New York.
Air Products & Chemicals Inc., Allentown, Pennsylvania.
Albion Malleable Iron Company, Albion, Michigan.
Allegheny Ludlum Steel Corporation, Pittsburgh, Pennsylvania.
Allied Chemical Corporation, New York City, New York.
Allied Stores Corporation (International Division), New York City, New York.
Allied Thermal Corporation, New Britain, Connecticut.
Allis-Chalmers (International Division), Milwaukee, Wisconsin.
All-State Welding Alloys Company, Inc., White Plains, New York.
Alvey Conveyor Manufacturing Corporation, St. Louis, Missouri.
Amerbel Corporation, New York City, New York.
American Bureau of Shipping, New York City, New York.
American Chamber of Commerce of the U.S., Washington, D.C.
The American Cynamid Co., Wayne, New Jersey.
American District Telegraph Co., New York City, New York.
The American Express Co., New York, N.Y.
The American Foreign Insurance Association, New York, N.Y.
American Home Products Corporation, New York City, N.Y.
The American Institute of Aeronautics and Astronautics, New York, N.Y.
American International Oil Company, New York, N.Y.
American International Underwriters, Brussels, Belgium.
American Management Association, New York, N.Y.
American Radiator and Standard Sanitary Corp., New York, N.Y.
American Scientific Company, Providence, Rhode Island.
American Sterilizer Company, Erie, Pennsylvania.
American Union Transport, Inc., New York City, N.Y.
Ametek, Inc., New York City, N.Y.
AMP Incorporated, Harrisburg, Pennsylvania.
Ampex Corporation, Redwood City, California.
Amphenol Corporation, Broadview, Illinois.
Arther Anderson & Co., Chicago 3, Illinois.
Homer G. Angelo, Geneva, Switzerland.
The Ansul Company, Marinette, Wisconsin.
Antwerp Industrial Diamond Corporation, New York City, N.Y.
Arcair Company, Lancaster, Ohio.
Archer & Company, Houston 29, Texas.
Archer-Daniels-Midland Company, Minneapolis, Minnesota.
S.G. Archibald, Paris 8è, France (US/European partnership)
d'Arcy—M.N.P., New York City, N.Y.
Argus Chemical Corporation, Brooklyn, N.Y.
Arkansas Company Inc., Newark, New Jersey.
Armco Steel Corporation, Middletown, Ohio.
The Aro Corporation, Bryan, Ohio.
Associate Factors Inc., Chicago, Illinois.
Associated Merchandising Corporation, New York, N.Y.
The Associated Press, New York, N.Y.
The Atlantic Richfield Company, Philadelphia, Pennsylvania.
Atlas Chemical Industries, Inc., Wilmington, Delaware.
Ad. Auriema, Inc., New York City, N.Y.
Automatic Poultry Feeder Company, Zeeland, Michigan.
Aviquipo-Inc., New York, N.Y.
Avon Products, Inc., New York, N.Y.
American Scientific Company, Providence, Rhode Island.
American Union Transport Inc., New York, N.Y.

Bache and Co. Overseas, S.A., New York, N.Y.
Badger Co., Inc., Cambridge, Massachusetts.
Baker, McKenzie and Hightower, Chicago, Illinois.
Ball International, New York City, N.Y.
Bank of America N.T. and S.A., San Francisco, California.
Bankers Trust Co. of New York, New York City, N.Y.
Barton Distilling Company, Chicago, Illinois.
Ted Bates, Inc., New York, N.Y.
The Bauer Bros. Company, Springfield, Ohio.
Baumgold Bros., Inc., New York, N.Y.
Baxter Laboratories Inc., Morton Grove, Illinois.
Beatrice Foods Co., Chicago, Illinois.
The Bechtel International Company, Reno, Nevada.
Bell & Howell Co., Chicago, Illinois.
Bemis Company, Inc., Minneapolis, Minnesota.
Benton & Bowles, New York City, N.Y.
Binks Mfg. Co., Chicago, Illinois.
S. Birnbaum, Antwerp, Belgium.
Black & Decker Mfg. Co., Towson 4, Maryland.
Black Diamond Steamship Corp., New York City, N.Y.
Block Drug Co., Jersey City, N.J.
Blue Bell Inc., Greensboro, North Carolina.
Frank Boas, Brussels, Belgium.
Borg-Warner International Corp., Chicago, Illinois.
Bostrom Corporation, Milwaukee, Wisconsin.
The Boeing Co., Seattle, Washington.
Brabo Industries (U.S. Private Interests), Antwerp, Belgium.
Brabo Manufacturing Company, (U.S. Private Interests).
W. M. Brady Company, Milwaukee, Wisconsin.
Bristol Laboratories, New York City, N.Y.
Brown International Paper and Pulp, S.A., Brussels (American Private Interests).
R. McKim Browning, (U.S. Private Interests), Swampscott, Mass.
Buckman Laboratories Inc., Memphis, Tennessee.
Burndy Corporation, Norwalk, Connecticut.
Burnham & Company, New York City, N.Y.
Burroughs Corporation, Detroit 32, Michigan.
Butler Manufacturing Company, Kansas City, Missouri.
The Butterick Company, Inc., New York City, N.Y.
Capriel Inc., New York City, N.Y.
Celanese Corporation of America, New York City, N.Y.
California Packing Corp., San Francisco, California.
Calvine Cotton Mills, Inc., (Mr. Salkind), Charlotte, N.C.
Cameron Machine Co., Dover, New Jersey.
Campbell Soup Co., Camden, New Jersey.
Canny, Bowen, Howard, Peck & Associates, Inc., New York, N.Y.
Cap-Roc, Inc., Rochester 14, N.Y.
Capriel, Inc., New York City, N.Y.
The Carborundum Co., Niagara Falls, N.Y.
The Cargill, Inc., Minneapolis, Minnesota.
Carter-Wallace O.S., Inc., New York City, N.Y.
Castle & Cooke, Inc., Honolulu, Hawaii.
Castrol Ltd., Newark, New Jersey.
Catalysts & Chemicals, Inc., Louisville, Kentucky.
Catalyptic Construction Co., Inc., Philadelphia, Pennsylvania.
Caterpillar Tractor Co., Peoria, Illinois.
Central Soya Co., Fort Wayne, Indiana.
Cerro Corporation, New York City, N.Y.
Cessna Aircraft Co., Wichita, Kansas.
Chain Belt Co., Milwaukee, Wisconsin.
Champion Papers, Inc., New York City, N.Y.
Champion Spark Plug Co., Toledo, Ohio.
The Chase Manhattan Bank, New York, N.Y.
Chematar, Inc., New York City, N.Y.
Chevron Europe, Inc., (Branch of Standard Oil Co. of California).
Chicago Metallic Sash Co., Chicago, Illinois.

Chicago Pneumatic Tool Co., New York City, N.Y.
Chore-Time Equipment Inc., Wilford, Indiana.
Chrysler Corporation, Detroit, Michigan.
Cincinnati Milling and Grinding Machines, Inc., Cincinnati, Ohio.
Cities Service Co., 60 Wall Tower, New York City, N.Y.
C. P. Clare & Co., Chicago, Illinois.
Clark Equipment Co., (Intern. Div.), Buchanan, Michigan.
Clayton Manufacturing Co., P.O. Box 550, El Monte, California.
Cleary, Gottlieb, Steen & Hamilton, New York City, N.Y.
Clevite Corporation Inc., Cleveland, Ohio.
Clipper Manufacturing Co., Kansas City 34, Missouri.
The CMC-Sierra Corporation, Reno, Nevada.
The Coca-Cola Export Corporation, New York City, N.Y.
Coggeshall & Hicks, New York City, N.Y.
Colgate Palmolive Co., New York, N.Y.
Colemand Company, Inc., Wichita, Kansas.
Collins & Aikman Corporation, New York City, N.Y.
Colonial Distributors, Inc., Boston, Massachusetts.
Colorado and Gas Corporation, Denver, Colorado.
Columbia Pictures International Corp., New York City, N.Y.
Compton Advertising, Inc., New York City, N.Y.
Container Stapling Corporation, Herrin, Illinois.
Continental Grain Company, New York, N.Y.
Continental Illinois National Bank & Trust Co., of Chicago, Chicago, Illinois.
Continental Motors Corporation, Detroit, Michigan.
Continental Oil Company, Houston, Texas.
Cook & Co., Memphis, Tennessee.
Corn Products, Inc., New York, N.Y.
*Continental Insurance Company of New York, New York, N.Y.
Coronet Industries, Inc., Dalton, Georgia.
Corning Glass Works, Corning, N.Y.
Coudert Brothers, New York City, N.Y.
Crocker-Citizens National Bank, San Francisco, California.
Cotton Producers Association, Atlanta, Georgia.
Crown Cork & Seal Co., Inc., Philadelphia, Pennsylvania
Culligan Inc., Northbrook, Illinois.
Cunningham-Limp International, Birmingham, Michigan.
Compton Advertising Inc., New York, N.Y.
Cities Service International, New York, N.Y.
Cyanamid International Corporation, Wayne, New Jersey.
Daniel Construction Co., Inc., Greenville, South Carolina.
Danly Machine Corporation, Chicago, Illinois.
Davidson & Hemmendinger, Inc., Easton, Pennsylvania.
Dawe's Laboratories, Inc., Chicago, Illinois.
Day Diamond Sales, PVBA (David Amsel) Antwerp, Belgium.
Dean Export International, Long Beach, California.
John Deere & Co., Moline, Illinois.
The Deering Milliken Inc., New York City, N.Y.
Delaware River Port Authority of Pennsylvania and New Jersey, Camden, New Jersey.
Delightform Foundations, Inc., Easton, Pennsylvania.
Dewey, Ballantine, Bushby, Palmer & Wood, New York, City, N.Y.
Development Department, State of Ohio, Columbus, Ohio.
C. H. Dexter & Sons Co., Windsor Locks, Connecticut.
Diamond Laboratories Inc., Des Moines, Iowa.
A. B. Dick Company, Chicago, Illinois.
Dickson & Company, Charlotte, North Carolina.
Dictaphone Corp., New York City, N.Y.
Diebold, Inc., Canton, Ohio.
The Diebold Group, Inc., New York City, N.Y.
The Diner's Club International, New York City, N.Y.
Donaldson, Lufkin and Jenrette, New York City, N.Y.
Donaldson Company, Inc., Minneapolis, Minnesota.
Donnelley Corporation, New York City, N.Y.
Dorr-Oliver, Inc., Stamford, Connecticut.
Dow Chemical Company, Midland, Michigan.

Dow Corning Corporation, Midland, Michigan.
Dravo Corporation, Pittsburgh, Pennsylvania.
Dresser Industries, Inc., Dallas, Texas.
Drever Company, Bethayres, Pennsylvania.
Dubin-Haskell-Jacobson, Inc., New York City, N.Y.
Dun & Bradstreet, Inc., New York City, N.Y.
D. K. Manufacturing Company, Batavia, Illinois.
Dunham-Bush Inc., West Hartford, Connecticut.
E.I. Du Pont de Nemours & Co., Wilmington, Delaware.
Dymo Industries Inc., Berkeley, California.
Eastman Kodak Co., Rochester, N.Y.
Economic & Market Corporation, New York City, N.Y.
Economics Laboratory Inc., St. Paul, Minnesota.
Edmont Inc., Coshocton, Ohio.
Elastic Stop Nut Corporation of America.
Electronic Associates Inc., Long Branch, New Jersey.
Electronics Corporation of America, Cambridge, Massachusetts.
Electro-Nite Engineering Co., Philadelphia, Pennsylvania.
Emerson and Cuming Inc., Canton, Massachusetts.
Encyclopedia Britannica, Inc., New York City, N.Y.
Engelhard Industries, Newark, New Jersey.
Erie Technological Products Inc., Erie, Pennsylvania.
Eskimo-Europ International, Richmond, Virginia.
Epstein, Manilov & Sachnoff, Chicago, Illinois.
Esso Chemical Company Inc., New York, N.Y.
Esso Research & Engineering Company, Inc., Linden, New Jersey.
Ethyl Corporation, New York City, N.Y.
Eversharp Inc., Milford, Connecticut.
John Fabick Tractor Company, St. Louis, Missouri.
Fairchild Publications of New York, New York City, N.Y.
Famous Artists Schools International, Inc., New York City, N.Y.
Fansteel Metallurgical Corporation, North Chicago, Illinois.
Federal Insurance Company, New York City, N.Y.
Federal Mogul Corporation, Detroit, Michigan.
Ferguson Machine Company, St. Louis, Missouri.
Fiedler & Associates (Messrs. G. L. Fiedler and D. L. Stocker), New York City, N.Y.
Filon Corporation, Cleveland, Ohio.
Abel Finkelstein (U.S. Private Interests), New York City, N.Y.
Finkelstein Bros., Co., New York City, N.Y.
Firestone Tire & Rubber Co., Akron, Ohio.
Robert S. First, New York City, N.Y.
First Manhattan Company, New York City, N.Y.
First National City Bank, New York City, N.Y.
D. Fischbein Company, Minneapolis, Minnesota.
Fischer & Porter Company, Warminster, Pennsylvania.
Fitchburg Paper Co., Fitchburg, Massachusetts.
F.M.A., El Segundo, California.
F.M.C. Corporation, San Jose, California.
Foote, Cone & Belding, Inc., New York City, N.Y.
Ford Motor Company, Dearborn, Michigan.
Forrestal, Emmet & Co., New York City, N.Y.
Friden Inc., San Leandro, California.
Ferguson Machine Corporation, St. Louis, Missouri.
Gardner Advertising Company, St. Louis, Missouri.
Gardner-Denver Company, Quincy, Illinois.
Gates Rubber Company, Denver, Colorado.
General Binding Corporation, Northbrook, Illinois.
General Foods Corporation, White Plains, New York.
General Foam Corporation, New York City, N.Y.
General Electric Company, Milwaukee, Wisconsin.
General Milk Company, Los Angeles, California.
General Motors Acceptance Corporation, New York City, N.Y.
General Motors Corporation, New York City, N.Y.
General Telephone and Electronics (International) Inc., New York City, N.Y.
General Tire and Rubber Company (Intern. Div.), Akron, Ohio.

General Warehouse Company, Baltimore, Maryland.
Gillette Company, Boston, Massachusetts.
Gimbel Bros., Inc., New York City, N.Y.
Girdler Corporation, Louisville, Kentucky.
The Glidden Company, Cleveland, Ohio.
H. Goodman & Sons, New York City, N.Y.
B. F. Goodrich (International Div.), Akron, Ohio.
Goodyear International Corporation, Akron, Ohio.
The Gorton Corporation, Gloucester, Massachusetts.
John H. Graham & Company, Inc., New York City, N.Y.
Graver Tank & Manufacturing Company (Division of Union Tank Car Co.), Chicago, Illinois.
Grefco Inc., Los Angeles, California.
The Gregg Company Ltd., Hackensack, New Jersey.
Gregg Associates, Milwaukee, Wisconsin.
Grolier Inc., New York City, N.Y.
Guardian Electric Manufacturing Co., Chicago, Illinois.
Guild Metal International Company, Bedford, Ohio.
Gulf Oil Corporation, Pittsburgh, Pennsylvania.
Gulf and Western Industries, Inc., New York City, N.Y.
Hallgarten & Co., New York City, N.Y.
Halstead Associates Inc., Larchmont, New York.
Frederic R. Harris, Inc., New York City, N.Y.
Hart & Cooley Mfg. Co., Holland, Michigan.
C. H. Hartley, Los Angeles, California.
Harvard International Industries (Mr. Martin Slutsky), St.-Niklaas, Belgium.
H. J. Heinz Co., Pittsburgh, Pennsylvania.
Heller & Co., Chicago, Illinois.
Heller Factors, Chicago, Illinois.
H. Hentz & Co., New York City, N.Y.
Hercules, Inc., Wilmington, Delaware.
Hand Carpet Mills, Los Angeles, California.
Hertz International, New York, N.Y.
Hewitt-Robins, Inc., Stanford, Connecticut.
Hewlett-Packard Co., Palo Alto, California.
William Hill and Co., Inc., New York City, N.Y.
Hilton International Co., New York City, N.Y.
The Hobart Mfg. Co., Troy, Ohio.
Hooker Chemical Corporation (International Division), New York City, N.Y.
Hoover Company, N. Canton, Ohio.
Housing Properties Belgium (US/Belgian Private Interests).
Hudson Leasing Corporation, New York City, N.Y.
Hughes Aircraft Company International, Culver City, California.
Hunter International, S.A. Brussels, Belgium (US Private Int.).
W. E. Hutton & Co., New York City, N.Y.
Hydromation Engineering Company, Livonia, Michigan.
Hyster Company, Portland, Oregon.
ICAP Corporation, New York City, N.Y.
I.B.M.—International Business Machines—World Trade Corporation, New York City, N.Y.
Ideal Tape, Inc., Lowell, Massachusetts.
O. Imber, New York City, N.Y.
Indussa Corporation, New York City, N.Y.
I.M.S., Brussels, Belgium (US Private Interests).
Ingersoll Milling Machine Co., Rockford, Illinois.
Ingersoll-Rand, New York City, N.Y.
Insul-8-Corporation, San Carlos, California.
International Bank of Washington, Washington, D.C.
International B. F. Goodrich, Akron, Ohio.
Interchemicals & Plastics (US/Belgian Private Interests).
International Harvester Co., Chicago, Illinois.
International Latex Corporation, Dover, Delaware.
International Metal Co., New York City, N.Y.
International Packers Ltd., Chicago, Illinois.
International Telephone and Telegraph Corp., New York, N.Y.
International Rectifier Corporation, El Segundo, California.

International Research Associates Inc., New York City, N.Y.
International Staple and Machine Co., Butler, Pennsylvania.
International Supply Corporation, Los Angeles, California.
Interpublic Group of Companies, Inc., New York City, N.Y.
I.T.T. Cannon Electric Inc., Los Angeles, California.
I.T.T. Europe Inc., New York City, New York.
Jewel Companies Inc., Chicago, Illinois.
D. Jennings (US/Belgian Partnership), Detroit, Michigan.
Johnson & Johnson International, New Brunswick, New Jersey.
Johns-Manville Corporation, New York City, N.Y.
Johnson Service Company, Milwaukee, Wisconsin.
Johnson's Wax, Racine, Wisconsin.
Joy Manufacturing Company, Pittsburgh, Pennsylvania.
Joynel Company Inc., New York City, N.Y.
The Keith British Stores, Ltd., Falmouth, Massachusetts.
Kaiser Aluminum & Chemical Corporation, Oakland, California.
Kaiser Refractories (Div. of Kaiser Aluminum & Chemical Corp.), Oakland California.
The Kellogg Company (Div. of Kellogg Overseas Corp.), New York, N.Y.
Key Pharmaceuticals, Miami, Florida.
Kimber Farms, Inc., Fremont, California.
The Kite Company, New York City, New York.
Knott Hotels Corporation, New York City, N.Y.
K.S.M. Continental, S.A., Nivelles, Belgium (see also Omark).
Kysor Industrial Corporation, Cadillac, Michigan.
Laboratory for Electronics Inc., Boston, Massachusetts.
D. Landau, New York City, N.Y. (Private Interests).
The Lau Blower Co., Dayton, Ohio.
Estee Lauder Inc., New York City, N.Y.
Lavo Relax (Benjamin Blankfield—US Private Interests).
Law & Business Offices (Dr. Charles Hemelrike), Brussels.
Lawter Chemicals Inc., Chicago, Illinois.
Leaf Brands Inc., Chicago, Illinois.
Lehigh Valley Industries, Brooklyn, N.Y.
H. D. Lee Co., Inc., Kansas City, Missouri.
Le Tourneau-Westinghouse Co., Peoria, Illinois.
Libby, McNeill & Libby, Chicago, Illinois.
Lieber & Solow, New York City, N.Y.
A. D. Little Inc., Chambridge, Massachusetts.
Little Giant Products, Peoria, Illinois.
Litton Industries Inc., Beverly Hills, California.
Litwin Engineering International, S.A. (US Private Interests).
Locus Incorporated, Abilene, Texas.
Lubrizol Corporation, Cleveland, Ohio.
Lykes Lines Agency Inc., New Orleans, Louisiana.
Lupton Manufacturing Company, Philadelphia, Pennsylvania.
McCann Erickson Inc., New York City, N.Y.
McCullogh Corporation, Los Angeles, California.
Merck, Sharpe & Dohme International, New York, N.Y.
Meridian Enterprises, Inc., Los Angeles, California.
Merrill Lynch, Pierce, Fenner & Smith Inc., New York City, N.Y.
Metasco Inc., (Subsidiary of International Division of Allied Stores Corp.), New York, N.Y.
Metro-Atlantic Inc., Centerdale, Rhode Island.
Metro-Goldwin-Mayer International, Inc., New York, N.Y.
Microdot Inc., South Pasadena, California.
Midwest Rubber Reclaiming Co., East St. Louis, Illinois.
Millard-Norman Co., Cincinnati, Ohio.
Miller Freeman Publications, San Francisco, California.
3–M, Minnesota Mining and Manufacturing Co., St. Paul, Minnesota.
Minneapolis Honeywell Regulator Co., Minneapolis, Minnesota.
Mister Minit (US-Canadian Private Interests), Brussels.
Mohasco Industries Inc., Amsterdam, New York.
Mobil Oil Corporation, New York City, N.Y.
Mondial Laminated, S.A., (US Private Interests).
Monroe Auto Equipment Co., Monroe, Michigan.

Monsanto Chemical Co., St. Louis, Missouri.
S. Moore & Co., Mantua, Ohio.
Moore & McCormack Co., New York City, N.Y.
Morehouse Industries Inc., Los Angeles, California.
Morgan Adhesives Co., Stow, Ohio.
Morgan Guaranty Trust Co. of New York, New York City, N.Y.
Morrison-Knudsen Co., Inc., Boise, Idaho.
Mosier Safe Co., New York City, N.Y.
Motorola Overseas Corp., Franklin Park, Illinois.
Multipane Inc., Philadelphia, Pennsylvania.
Muzak Corporation, New York City, N.Y.
Nashua Corporation, Nashua, New Hampshire.
National Canners Association, Washington, D.C.
The National Cash Register Co., Dayton, Ohio.
National Chemsearch Corporation, Washington, D.C.
National Cotton Council of America, Memphis, Tennessee.
National Dairy Products Corporation, New York City, N.Y.
National Distillers and Chemical Corporation of America, Richmond, Virginia.
National Forge Export Corporation, Warren County, Pennsylvania.
National Lead Company, New York City, N.Y.
New Hampshire Insurance Co., Manchester, New Hampshire.
New Holland Machine Co., (Div. of Sperry Rand Corp.) New Holland, Pa.
Newsweek, New York City, N.Y.
State of New York—Department of Commerce, Albany, New York.
A. C. Nielsen Co., Ltd., Chicago, Illinois.
Nordson Corporation, Amherst, Ohio.
The Norwich Pharmacal Co., New York City, N.Y.
The Norton Company, Worcester, Massachusetts.
Office Publications, Stamford, Connecticut.
State of Ohio-Development Department, Columbus, Ohio.
Ohio Steel Foundry Company, Lima, Ohio.
Omark Industries, Inc., Portland, Oregon.
K. Orban Company, Inc., Jersey City, New Jersey.
Otis Elevator Company of New Jersey, New York, N.Y.
Outboard Marine Corporation, Waukegan, Illinois.
Overmyer Corporation, Winchester, Indiana.
Owens-Corning Fiberglas Corporation, Toledo, Ohio.
Owens-Illinois Glass Co., Toledo, Ohio.
Packard Instrument Company, Chicago, Illinois.
Panam—Pan American World Airways, New York City, N.Y.
The Papercraft Corporation, Pittsburgh, Pennsylvania.
Paramount Paper Products Company, Omaha, Nebraska.
Paramount (International) Films, Inc., New York City, N.Y.
Parco International, New York City, N.Y.
Parke, Davis & Company, Detroit, Michigan.
Parsons International, Los Angeles, California.
Parsons & Whittemore, New York, N.Y.
Pearlson Engineering Co., Miami, Florida.
Peat, Marwick, Mitchell & Co., New York, N.Y.
Pepsi-Cola Company, New York, N.Y.
Pepsi-Cola International, New York, N.Y.
Gerry Perloff, Rockville Center, New York.
Petroleum Fire Protection (U.S. Private Interests) Brussels, Belgium.
Chas. Pfizer & Co., New York, N.Y.
Philip Morris, Inc., New York, N.Y.
Philipp Bros. (Div. of Minerals, Chemicals, Philipp Corp.), New York.
Phillips Petroleum Company, Bartlesville, Oklahoma.
Phillips-Ryan International (Tovar Belgique—IMS–MMS), Brussels, Belgium.
Pickands Mather & Co., Cleveland, Ohio.
Picker International Corporation, White Plains, N.Y.
Pillsbury Company, Minneapolis, Minnesota.
Pioneer Overseas Services Corporation, New York, N.Y.
Pittsburgh Corning Corporation, Pittsburgh, Pennsylvania.
Pittsburgh Plate Glass Co., Pittsburgh, Pennsylvania.
Pittsburgh Steel Company, Pittsburgh, Pennsylvania.
Plastic Coating Corporation, Holyoke, Massachusetts.

Plibrico Company, Inc., Chicago, Illinois.
Polaroid Corporation, Cambridge, Massachusetts.
Port Everglades Steel Corp., Fort Lauderdale, Florida.
Premier Diamond Corp. (Messers. Isaac Lieber & Zelman Solowiejczuk).
Prestolite International Co., Division of Elyra Corp., Toledo, Ohio.
Price, Waterhouse & Company, New York, N.Y.
Procter & Gamble Company, Cincinnati, Ohio.
The Prophet Company (Subsidiary of Greyhound Food Management Inc.), Detroit, Michigan.
Pyronics Inc., Cleveland, Ohio.
Quaker Oats Company, Chicago, Illinois.
Radiant Color Company, Richmond, California.
Ralston Purina Company, St. Louis, Missouri.
The Ramtite Company, (Div. of S. Obermayer Co.), Chicago, Illinois.
Ramney Method International Inc., Sacramento, California.
Raychem Corp. & Rayclad Tubes, Inc., Redwood City, California.
Real Estate Belgium, S.A. (U.S. Private Interests).
Reuben H. Donnelley Corporation, Wilmington, Delaware.
Rena-Ware Distributors, Bellevue, Washington.
Revlon International Corporation, New York City, N.Y.
Reynolds International, Inc. (Subsidiary of Reynolds Metals Inc.), Richmond, Virginia.
Rex Chain Belt Company, Milwaukee, Wisconsin.
Rexall Drug & Chemical Company, Los Angeles, California.
Rheem International Inc., New York, N.Y.
Richardson-Merrell, New York, N.Y.
Ridge Tool Company, Elyria, Ohio.
Robbins Incubator Company, Denver, Colorado.
Roberts Company, Sanford, North Carolina.
H. H. Robertson Company, Pittsburgh, Pennsylvania.
Rocke International Corporation, New York, N.Y.
L.S. & D. Rockefeller , New York, N.Y. (USICAP).
Rockwell Manufacturing Co., Pittsburgh, Pennsylvania.
Rozin Optical Export Corporation (US Private Interests) New York, N.Y.
Rust Engineering Company, Pittsburgh, Pennsylvania.
Mr. Salkind (Calvine Cotton Mills Inc.) Charlotte, N. Carolina.
Sarco International Corporation, New York, N.Y.
Samsonite Corporation, Denver, Colorado.
Sawyer's Inc., Portland, Oregon.
Schenley International Company, New York, N.Y.
The Schlegel Mfg. Co., Henrietta, N.Y.
School Manufacturing Company, Chicago, Illinois.
A. Schulman, Akron, Ohio.
Scott Paper Company, Philadelphia, Pennsylvania.
Scott & Williams Inc., Laconia, New Hampshire.
Sears, Roebuck & Company, Chicago, Illinois.
Seeburg Corporation, Chicago, Illinois.
E. Seidenfeld (US Private Interests).
Shakespeare Company, Kalamazoo, Michigan.
Sheraton Corporation of America, Boston, Massachusetts.
Sherwin-Williams Company, Cleveland, Ohio.
Shulton Inc., New York City, N.Y.
Shur-Lok Corporation, Santa Ana, California.
Sidem International, S. A. (US Private Interests), Brussels.
Signal Oil & Gas Company, Los Angeles, California.
Signode Corporation, Chicago, Illinois.
Simplex Time Recorder Company, Gardner, Massachusetts.
Sinclair International Oil Company, New York, N.Y.
Sinclair Petroleum Corporation, New York, N.Y.
Singer Company, New York, N.Y.
Smith, Kline and French Laboratories, Philadelphia, Pa.
Socony Mobile Oil Company, Inc., New York, N.Y.
Southwestern Engineering Company, Los Angeles, California.
Southwestern Petroleum Corporation, Fort Worth, Texas.
Sperry Rand Corporation, New York City, N.Y.
Sprague Electric Company, North Adams, Massachusetts.

Spray, Price, Townsend, Cushman, Chicago, Illinois.
E. R. Squibb International, New York, N.Y.
St. Regis Paper Company, New York, N.Y.
Sta-Hi Corporation, Newport Beach, California.
Standard Oil Co. (Indiana) AMOCO Chemicals Div., Chicago, Ill.
Standard Oil Company (New Jersey), New York, N.Y.
State of New York, Department of Commerce, N.Y.C., N.Y.
State of Ohio, Development Department, Columbus, Ohio.
Staub, Warmbold and Associates Inc., New York, N.Y.
Sterling Drug, Inc., New York City, N.Y.
C. P. Steuber & Company, New York, N.Y.
Stewart International Associates, Milwaukee, Wisconsin.
Stewart-Warner Corporation, Chicago, Illinois.
Levi Strauss International, San Francisco, California.
Sun Oil Company, Philadelphia, Pennsylvania.
Superior Oil Company, Houston, Texas.
Sutton Engineering Company, Pittsburgh, Pennsylvania.
Swift & Company, Chicago, Illinois.
M. Swift & Sons, Inc., Hartford, Connecticut.
Technicon International, Ardeley, N.Y.
Technical Animations, Inc., Port Washington, New York.
L. Tempelsman & Son, New York City, N.Y.
Tennant & Sons & Co., New York City, N.Y.
Texaco Inc., New York, N.Y.
Thomas Collators Inc., New York, N.Y.
Thompson Aircraft Tire Corporation, San Francisco, California.
J. Walter Thompson Company, New York, N.Y.
Titan Industrial Corporation, New York City, N.Y.
Toledo Scale Corporation, Toledo, Ohio.
Tops, S. A. (US & Belgian Private Interests), Brussels.
The Torrington Mfg. Co., Torrington, Connecticut.
Touche, Ross, Bailey and Smart, Detroit, Michigan.
Towers, Perrin, Forster & Crosby, Inc., Philadelphia, Pa.
Train, Cabot & Associates, New York City, N.Y.
Trane Company, La Crosse, Wisconsin.
Trans International Airlines, Inc., Oakland Int. Airport, California.
Transworld Airlines Inc., T.W.A., New York City, N.Y.
Travenol Laboratories, Morton Grove, Illinois.
Trend Mills Inc., Rome, Georgia.
Twenteith Century-Fox International Corp., New York, N.Y.
Twin Disc Company, Racine, Wisconsin.
Messrs. A. E. Ulmann and R. E. Lecot (US-Belgian Partnership) N.Y.C., N.Y.
Uni-Office International Corporation, New York, N.Y.
Union Carbide International Company, New York, N.Y.
Union Electric Steel Corporation, Pittsburgh, Pennsylvania.
Union Special Machine Co. of America, Reno, Nevada.
Uniswitch Corporation, Pittsburgh, Pennsylvania.
United Artists Corporation, New York City, N.Y.
United Elastic Corporation, Easthampton, Massachusetts.
United Fruit Company, Boston, Massachusetts.
United Press-U.P.-International, New York, N.Y.
United Shoe Machinery Corporation, Boston, Massachusetts.
United States Fire Insurance Company, New York, N.Y.
United States Gypsum Co., Chicago, Illinois.
United States Lines Company, New York, N.Y.
United States Rubber Company, New York, N.Y.
Universal International Films Inc., New York, N.Y.
Universal Oil Products Co., Des Plaines, Illinois.
Upjohn Company, Kalamazoo, Michigan.
U.S. Plywood Champion Paper Corporation, Panama (Division of Champion Papers Inc., New York City, N.Y.)
U.S. Vitamin & Pharmaceutical Corporation, New York City, N.Y.
Varian Associates, Palo Alto, California.
N. V. Vending Industries Ltd. (US Private Interests), Antwerp, Belgium.
The Vendo Company, Kansas City, Missouri.

Vesely Manufacturing Company, Lapeer, Michigan.
Vesuvius International Corporation, Wilmington, Delaware.
Vickers Inc., (Div. of Sperry Rand Corporation) Detroit, Mich.
Virginia State Ports Authority, Norfolk, Virginia.
V.S.I. Corporation, Pasadena, California.
Walk-Over Shoes-Geo. E. Keith British Stores Ltd., Brockton, Mass.
Ward Manufacturing Company, Inc., Hamilton, Ohio.
Warner Bros. Pictures International Corporation, New York City, N.Y.
The Warner Bros. Manufacturing Company, Bridgeport, Conn.
Warner Electric Brake & Clutch Company, Beloit, Wisconsin.
Warner-Lambert International Capital Corp., Morris Plains, N.J.
Washington Post, Washington, D.C.
Waterbury Farrel, Cheshire, Connecticut.
Robert A. Weaver, Jr., and Associates, Boston, Massachusetts.
Weil Bros.-Cotton Inc., Montgomery, Alabama.
Western Union International Inc., New York, N.Y.
Westinghouse Air Brake Company (WABCO), Wilmerding, Pa.
Westinghouse Electric Corporation, Pittsburgh, Pennsylvania.
Westrex Division of Aero Service, Brussels: See Litton Industries.
West Virginia Pulp & Paper Co., New York City, N.Y.
Weyerhaeuser Company, Tacoma, Washington.
White & Case, New York City, N.Y.
Whitmoyer Laboratories, Myerstown, Pennsylvania.
J. L. Wilmotte, New York City, N.Y.
Witco Chemical Company, New York City, N.Y.
Wilson Products, Paramus, New Jersey.
F. W. Woolworth Company, New York City, N.Y.
Worcester Valve Company, Worcester, Massachusetts
Worldwide Information Services, New York City, N.Y.
Wyandotte Chemicals Corporation, Wyandotte, Michigan.
Wynn Oil Company, Azusa, California.
Arthur Young and Company, New York, N.Y.
Young and Rubicam Inc., New York, N.Y.

The CHAIRMAN. Any questions?

We thank you, sir.

Mr. GOTTSCHALK. Thank you.

The CHAIRMAN. Without objection the committee will recess until 2 o'clock.

(Whereupon, at 12:25 p.m., the committee recessed to reconvene at 2 p.m., the same day.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. Al Ullman presiding.)

Mr. ULLMAN. The committee will be in order.

Mr. De Santis? We welcome you before the committee, Mr. De Santis. Will you identify yourself and your colleagues?

You may proceed as you see fit.

STATEMENTS OF ARTHUR A. DE SANTIS, EXECUTIVE SECRETARY, ITALY-AMERICAN CHAMBER OF COMMERCE, AND RALPH BONOMO

Mr. DE SANTIS. Mr. Chairman, members of the Committee on Ways and Means, my name is Arthur A. De Santis, and my place of residence is New York City. I appear before you today as executive secretary of the Italy-American Chamber of Commerce, Inc. (IACC), a membership corporation which was established in 1887 and duly chartered under the laws of the State of New York. The chamber is composed of

530 business corporations and other organizations vitally interested in trade relations between the United States and Italy. I would like to stress the fact that we are an independent, self-sustaining American trade association, not affiliated with any foreign interest.

Most of our members import a variety of products from Italy, including, among other things, apparel, appliances, automobiles and equipment, beverages, ceramics, china, furniture and handicraft items, chemicals, footwear, marble products, food products, and textiles. Other members of the chamber export a number of products produced in the United States to Italy and elsewhere. This highly profitable business includes exports of cotton, coal, minerals, grains, metal products, machinery, and other manufactured items. As you know, American exports to Italy increased 7 percent last year, to $946 million. Imports from Italy totalled approximately $856 million, indicating, of course, a favorable balance of trade between the two countries. The Italy-American Chamber of Commerce supports continuance of our trade policies through appropriate legislation. It is sincerely hoped that final action by Congress on the Trade Expansion Act of 1968 will result in a continuation of current liberal trade policies. We recognize that there may be certain instances where restrictions on imports and exports must be imposed. It is believed that H.R. 17551 as finally enacted should include provisions which will protect American consumers, industry, and labor, where it has been established that legal restrictions are necessary. It has the experience of our membership and U.S. businessmen in general, that continued free exchange of products and know-how between the United States and Italy leads to a better life in both countries. We have learned from history that unwarranted restriction of free trade with friendly nations serves only to induce retaliation against us. This is why we register unrelenting opposition to unnecessary tariff and nontariff barriers proposed for imported textiles, steel, certain food products, and other necessary items of commerce. It is sincerely believed that these types of legislative proposals would include a trade war, which would be particularly unfortunate with Italy, a country which has been a loyal friend of the United States.

Italian industry has actually created markets in the United States and throughout the world in a number of commodities. Italian food products and cheese created a demand that now supports a large section of food industry. In the case of business machines and other complex mechanical devices, Italy, in partnership with our industries, has helped produce better products for a broader market. In the case of textiles and items of wearing apparel, styled leadership has created a tremendous demand in America for all such products. Nonrubber footwear made here almost invariably reflects Italian style and design. Few, if any, American-made automobiles can be found which do not reflect Italian style leadership. Many of our newest and most decorative buildings are constructed utilizing Italian technology and design. Most consumer items, whether made in America or in Italy, bear witness to the favorable effect Italian imports have had on Americans. In no area has this free trade of ideas and material been more evident than in the field of textiles and textile products.

In conclusion, we submit that the strongest arguments supporting enactment of the Trade Expansion Act of 1968, or similar legislation,

are found in the booming economies of America and Italy. Successful conclusion of the Kennedy round trade negotiations at the same time our trading partners in Europe are joining together as the European Economic Community, augurs well for a continuation of free world prosperity through free competition. To substantially withdraw meaningful trade concessions recently made by all countries through the enactment of quotas and similar restrictions on imports would hurt us all.

Mr. Chairman, may I have permission to file a brief on behalf of our importers of cheese, which belong to our association?

Mr. ULLMAN. Without objection, the statement will be included in the record at this point.

Do you have it with you?

Mr. DESANTIS. No, we will file it.

(The following statement was received by the committee:)

STATEMENT OF EDWARD LABAJA, CHAIRMAN, DAIRY PRODUCTS IMPORTERS GROUP, ITALY-AMERICA CHAMBER OF COMMERCE, INC.

The Italy-America Chamber of Commerce, Inc. is a self-sustaining national organization of American businessmen engaged in trade and other economic dealings with Italy. The Dairy Products Importers Group of the Chamber includes numerous United States corporations and firms engaged in the importation of Italian cheeses for sale in the United States.

Statements submitted to the Trade Information Committee by Universal Foods Corp., Stella Cheese Division, submitted on March 14, 1968, and the brief of the American Producers of Italian-Type Cheese Association on April 18, 1968, prompt us to file the following statement with this Committee in order to assure that confusion, if any, with respect to Italian cheese is tempered with fact.

Indiscriminate use of the phrase "Italian-type" cheese and similar careless language leaves the impression that Italy competes, outside of normal quotas, with cow's milk cheeses produced in the United States. Pecorino cheese, currently classified in Items 117.65-.70, Tariff Schedules of the United States (TSUS), the major export item from Italy, is produced from sheep's milk. American-made Italian-type cheese substitutes are produced from 100% cow's milk and might be said to depend upon a market created by consumer demand for the real thing: Italian sheep's milk cheese (Pecorino Romano). The very existence of Italian-type cheese segment of the domestic dairy products industry can be traced to the importation and creation of a market for genuine, traditional, Italian cheese. American made Italian-type cheese never existed until domestic producers studied methods and developed a process by which imitation Romano-type cheese could be made. Hence, we are talking about a narrow, specialized market created by imported cheese. At best, the product produced in the U.S. is a substitute for the genuine Italian product which can be illustrated in the difference of basic ingredients and production methods of the two. Domestic Romano cheese is made from 100% cow's milk. Italian *Pecorino* Romano cheese is made from 100% sheep's milk.

With respect to American-made Romano and other Italian-type cheeses produced from cow's milk, American manufacturers usually import the basic ingredient used to coagulate the milk and infuse a Pecorino (sheep's milk) Romano flavor to a product produced with cow's milk. This enzyme, rennet, is incidentally imported from Italy.

Total imports of cheese into the United States during the year 1967 approximated 151,779,982 lbs., of which amount Italy accounted for about 10% or 16,153,544 lbs. Of this total amount, 11,138,462 lbs. was for Pecorino (sheep's milk) cheese.

True Pecorino cheese is not produced in the United States for the simple reason that there is no commercial sheep's milk production in America. The cost to the importer for Pecorino Romano Genuino in 1967 was from $1.05 to $1.08 per lb. The importer cost for Pecorino Sardo in 1967 was from $.90 to $.92 per lb. Imitations of the original Italian product sell in Wisconsin far below these prices. Still the consumer is willing to pay more for real Italian imported Pecorino

Romano, which substantiates our claim that the substitute is a materially different product, at best a mild substitute. Obviously cheese made from ewe's milk cannot be imitated successfully using cow's milk.

Cow's milk cheese imported from Italy are several: Reggiano and Provolone.

Reggiano (Parmesan) comes in two varieties—Reggiano Classico and Reggiano Grana. The first and preferred, cost the American importer in 1967 an average of $1.25 per lb. and the second about $1.03 per lb. Approximately ⅔ of the total was the more expensive Classico.

Provolone is also available in two varieties. One referred to as white paste, the other yellow paste. The white paste is the preferred and more costly variety constituting nearly 100% of imports. The average cost of this cheese to the importer in 1967 was $1.03 per lb. as opposed to domestic made product at $.70 per lb. There is no subsidy on this milk in Italy.

Certain domestic cheese manufacturers claim that there are so-called loopholes in the quota on Italian-type cheeses. They do not say so, but they refer to Italian cow's milk cheese which product does not "flood" the U.S. market place and cannot be said to displace any significant portion of the U.S. market. The fact is that the full quota for Italian cheese from Italy was not used in 1967, nor is it likely to be used in 1968 or 1969. The introduction of the cut form was obviously, therefore, not an evasion of the intent of the quota, but rather a modernization of an unwieldy 60 lb. loaf of cheese into manageable size cuts. This convenient type package, especially in the food field, has been forced on producers by the movement away from the independent store to the chain store operation and is an American creation.

In conclusion, it is suggested that the importation of true Italian Pecorino Romano cheese has created and continues to create a demand for Romano type grating cheese and therefore assist and encourage producers of imitation Italian cheeses to sell substitutes to those with less than discriminating tastes. Only the gourmet buys the true Pecorino and willingly pays the premium price therefor. Italian cheeses have never undersold competitive U.S. products. Imposition of a quota on sheep's milk cheese which is not even produced in the United States would, we submit, arbitrarily deny the U.S. consuming public of a unique and traditionally accepted product and would also capriciously restrain trade with Italy which is not even directly competitive with comparable U.S.-made products.

ITALY-AMERICA CHAMBER OF COMMERCE, INC., DAIRY PRODUCTS COMMITTEE

The Ambriola Co., NYC
Antolini & Co., Ltd., NYC
Bel Paese Sales, NYC
Bertolli Trading Corp., Woodside, NY
Del Gaizo Brands Importing Co., NYC
A. de Simone, Inc., NYC
Doro Int'l, Inc., Cincinnati, Ohio
Galvanoni & Nevy Bros., Inc., NYC
S. A. Laraja & Sons, Inc., NYC
Locatelli, Inc., NYC
L. Metafora Co., Inc., Boston, Mass.
C. Pappas Co., Inc., Boston, Mass.
Parisi Bros., Inc., Mt. Vernon, NY
Pastene & Co., Inc., NYC
Antonio Piccini & Sons, B'klyn, NY
Otto Roth & Co., Inc., NYC
Schroeder Bros., Inc., NYC
A. Schuman, Inc., Teaneck, NJ
Paul Surace, NYC
Uddo & Taormina Corp., Jersey City, NJ
Joseph Bonsignore, NYC
Giacomo Nino Bragelli, NYC
Bristol Trading Corp., NYC
Domenico D'Angiola, Inc., Bronx, NY
De Luca Sales Co., NYC
Wm. Faehndrich, Inc., NYC
Icco Cheese Co., Inc., B'klyn, NY
Import Oil Co., NYC
La Perla Corp., L.I.C., NY
Musolino, Lo Conte Co., E. Cambridge, Mass.
G. Nardella & Sons, B'klyn, NY
Ravarino & Freschi, Inc., St. Louis, La.
Ditta Sarda, Providence, R.I.
Nino A. Sidari, New Rochelle, NY
Salvatore Vacca, Bronx, NY

Mr. ULLMAN. We appreciate very much your appearing before the committee.

Mr. Bonomo, we will be delighted to hear you.

STATEMENT OF RALPH BONOMO

Mr. BONOMO. Mr. Chairman, distinguished committee members, my name is Ralph Bonomo. I am president of Republic Commercial Corp. of New York City, a U.S. corporation engaged in the domestic manufacture and importation of a number of textile products. I am chair-

man of the Italy-America Chamber of Commerce Textile and Apparel Committee and appear for that group as well as my colleagues in the knitwear committee of the chamber.

We support the stated goals of the Trade Expansion Act of 1968. Conversely, we wish to register vigorous opposition to proposals designed to restrict imports of textile products by the invocation of an unnecessary quota system.

Those of us intimately connected with the American textile and apparel industry know that Italy is the style leader in wearing apparel and in woven fabrics for men's and women's suits, especially wool knitwear. Italy is the trend setter, providing characteristic Italian concepts, which in turn give stimulus to U.S. manufacturers. In point of fact, the stimulus of high-styled Italian products has revived the U.S. knitting industry.

Evidence that American manufacturers need and rely upon Italian fashion ideas and concepts is found in the fact that U.S. producers almost invariably reproduce Italian styles for mass production. Quality goods produced in an imaginative manner create demand which in major part is eventually fulfilled by U.S. production.

At this point I would like to insert an item from Business Week dated June 15 under the subject heading "Plant Capacity Is Adequate," and I quote:

"Few industries are pressing against capacity. Of the 14 major manufacturing industry groups, only three—rubber, petroleum, and textiles—are running at more than 90-percent capacity."

(The article referred to follows:)

[From Business Week, June 15, 1968]

PLANT CAPACITY IS ADEQUATE

No new capital goods boom is developing, however. Plenty of available capacity, tight money, high interest rates, and some trimming of sales expectations are serving as restraints upon expansion.

Most of the indicated stepup in spending is attributable to nonmanufacturing industries. There is a 7% rise projected in this area over the next two quarters. There was practically no gain here in the first half.

In manufacturing, capital spending apparently will rise more than 6% during the first half—but is expected to rise very little in the subsequent two quarters. This is what you would expect; utilization of plant is not particularly high right now.

Few industries are pressing against capacity. Of the 14 major manufacturing industry groups, only three (rubber, petroleum, and textiles) are running at more than 90% of capacity.

For all manufacturing, the rate of operations averages out to 84.5%, according to McGraw-Hill's index of industrial operating rates.

This is a level well below that preferred by most companies, though not low enough to give a downward tilt to investment in new plant.

Moreover, if the forward pace of business slows later this year, the gap between capacity and the operating rate may widen further.

Mr. BONOMO. Italian knitwear and textile products are not inexpensive. There is no cheap labor in these industries in Italy. Recently published Tariff Commission statistics indicate that unit values for knitwear products manaufactured in Italy are among the highest in the world. The average unit value for knit manmade fiber outerwear imported during 1966 was $7.54 per pound at wholesale. In the case of knit wool outerwear, average value per pound was $6.81, third highest of all such imports into the United States.

In the case of fabrics, U.S. mills are not geared to the production of fine worsteds because our mills require long runs. Also of significance is the fact that the labor needed to process such fabrics is no longer available in abundance here. It is most difficult to attract young people to the wool industry, as aerospace and electronic industries lure young workers away.

Furthermore, long runs required by U.S. mills limit diversification and, if imports were not supplementing U.S. supplies, the consuming public might be deprived of its present large choice in fabric designs.

There are fewer woolen mills in the United States today than 15 years ago, but this condition is not attributable to imports. Mergers and consolidations have resulted in alltime high earnings for the companies which remain. It is exaggerated and unfair to say that imports, particularly those from Italy, have hurt the domestic industry. In knit outerwear productions, for example, U.S. mills increased supplies from 316 million pounds in 1961 to 497 million in 1965, and all the way up to 535 million in 1966, the last full year reported. During the same period, imports increased from an estimated 13 million pounds to 47 million pounds in 1965 and 57 million pounds in 1966. We do not believe that an industry which has increased its production 40 percent in the last 6 years can logically claim that imports have caused them injury.

American importers and Italian exporters have long maintained reasonable discipline where there was any indication that imports from Italy could possibly injure a competitive U.S. industry. Italian products, including fabrics and finished garments, are the result of creative talent and careful craftsmanship. This is the combination that has served as a basis for successful marketing in the United States.

Restrictive quotas applied against outstanding Italian style and workmanship would serve to substantially injure successful American business firms. Seasonal styles of fashionable products could not be marketed under quota systems. It new styles were not introduced by importers, American manufacturers would be deprived of trend setters, which, as I have said before, allow them to participate in the mass market.

In closing, I would just like to remind you that it is only about a decade ago that the U.S. knit market was in very bad shape. Today, because of style leadership and the Italian know-how which developed today's knitting techniques, that U.S. industry is healthy and profitable. Without any tariff or nontariff protection, our industry has the time factor and distributional factors on its side. Leadtime required for foreign manufacture gives U.S. producers a 4- to 6-week advantage in style products. Those of us who import know that style leaders sold in high-priced, high-quality lines, create a demand for the mass production market. Restrictions on such Italian products would not make sense.

For these reasons we support relaxation of tariff and nontariff barriers under H.R. 17551 and oppose any further restriction on the importation of textile apparel and knitwear products from Italy.

Thank you.

If I may, I would like to ask you if we could include the editorial in the New York Times of June 14, "Trade Winds in Congress" to be included as part of my presentation.

Mr. ULLMAN. Without objection, it will be done.

(The editorial referred to follows:)

[Editorial from the New York Times, June 14, 1968]

TRADE WINDS IN CONGRESS

The month-long hearings on trade legislation now under way before the House Ways and Means Committee involve a struggle between the national interest and the vested interests.

The Johnson administration, in the national interest, is seeking modest legislative authority to tie up the loose ends of the Kennedy Round of world tariff-cutting. It has debated for months and rejected as dangerous backsliding proposals to reduce the deficit in the Nation's payments abroad through a border tax on imports.

As the biggest of world traders, the United States would have more to lose than gain from an import surcharge because other countries would be certain to retaliate. But this certainly does not trouble the industry and farm lobbyists seeking to use the pending trade legislation as a vehicle for quota bills that would limit imports of dozens of products ranging from chocalate to steel.

A related threat to the nation's liberal trade policy is the effort by benzenoid chemical producers to block repeal of the highly protectionist "American Selling Price" system of customs valuation. Important European traiff concessions hinge on A.S.P. repeal, which the Administration pledged itself to seek during the Kennedy Round negotiations. But that is not all. The whole future of trade liberalization is at stake.

At GATT headquarters in Geneva each of the trading nations now is submittting lists of the non-tariff barriers abroad that hamper its trade. This is a first step toward an American-proposed negotiation to reduce such barriers, which now represent a bigger impediment to trade than the world's remaining tariffs.

The proper answer to dislocations in American business or labor is the kind of adjustment assistance authorized in the 1962 Trade Act. Rigid conditions in the 1962 law have prevented anyone from qualifying, but more flexible procedures in the Canadian-American automotive agreement have since demonstrated the value of loans and grants to help industry and labor improve output or shift to new lines of work. The pending Administration trade bill would liberalize the 1962 provisions for all industries.

Favorable House action on the new trade bill appears likely. But a stiffer fight looms in the Senate, where protectionist interests are more influential. It is a fight the Administration must accept and win. The nation's stake in freer trade is too great to permit defeat.

Mr. SCHNEEBELI. You quote the balance of trade with Italy being in our favor. If a U.S. petroleum company sells to Italy, products which they produce in the Mideast or Africa, is this considered a U.S. export to Italy?

Mr. DE SANTIS. I do not know, but I can supply the information.

Mr. ULLMAN. That will be supplied for the record.

(The following letter was received by the committee:)

ITALY-AMERICA CHAMBER OF COMMERCE, INC.,
New York, N.Y., June 20, 1968.

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

DEAR CONGRESSMAN MILLS: During my appearance before the Committee on Ways and Means on June 17, 1968, afternoon session, a member of the Committee requested additional information which I am submitting in the enclosed letter.

We have been informed that petroleum products extracted by U.S. companies in any part of the world and any off-shore areas, exported to Italy, are considered as part of trade originating from those countries who have jurisdiction over the areas in which petroleum products are extracted.

We hope that the enclosed information answers the inquiry. However, please consider us at your disposal for any further information the Committee may require.

Respectfully yours,

ARTHUR A. DE SANTIS, *Executive Secretary.*

Mr. BATTIN. Just as a point of information, under the Italian Government structure—of course, it is in the Common Market—what opportunity does an American exporter have to appear before the Italian Government and make their feelings known as far as trade and imports into that country are concerned? Is it done before a committee as we operate here, or is it done through Executive order?

Mr. DE SANTIS. Sir, we have intervened on behalf of American exporters in several instances. It might be customs procedures. It might be regulations concerning foreign trade. And most recently I have returned from Italy about 2 weeks ago, and part of our talks with our own Government representatives in Italy has been on that question, in finding the proper way to approach the Italian Government authorities on these questions. It is being studied, and we are carrying it forward.

Mr. BATTIN. Right now there isn't any?

Mr. DE SANTIS. At the present time we deal with the Italian foreign trade industries.

Mr. BATTIN. Is that at the executive level?

Mr. DE SANTIS. Yes, that is the executive.

Mr. BATTIN. I think the same thing would be true with respect to France, Germany, and other European countries.

Mr. DE SANTIS. I think so, sir.

Mr. ULLMAN. Thank you very much, Mr. De Santis.

Mr. Wedell, we are glad to have you.

For the record, would you please identify yourself and all of your colleagues?

With the understanding that your statement will appear in full in the record, you may proceed as you see fit.

STATEMENT OF GUSTAV WEDELL, CHAIRMAN, BUSINESS PRACTICES COMMITTEE, DANISH-AMERICAN TRADE COUNCIL, INC.; ACCOMPANIED BY IB PEDERSEN, CHEESE CONSULTANT; KNUD SORENSEN; MARTIN FROMER, ATTORNEY, AND B. H. HESSEL

Mr. WEDELL. Mr. Chairman, my name is Gustav Wedell. I am a past president, now member of the board and chairman of the Business Practices Committee of the Danish American Trade Council, Inc., 665 Fifth Avenue, New York, N.Y., a New York corporation. I have brought with me to the table Mr. Knud Sorensen, president of Plumrose, Inc., a major importer of Danish food products into the United States, Mr. Ib Pedersen, cheese consultant of my committee, Mr. Martin Fromer, attorney of New York who represents major importers of Danish cheese and who has broad knowledge of the existing restrictions on same. Further, there is Mr. B. H. Hessel of the Scandinavian Fur Agency, Inc., a New York corporation, which acts as clearing agency for most of the mink furskins raised in Denmark and the other three Scandinavian countries and sold to U.S. buyers in the open auctions held in those countries.

These gentlemen are here only to aid me in answering any questions any member of your committee may have relative to the major products imported by the United States from Denmark. Gentlemen, I have filed our brief and request that it be printed in the record.

Mr. ULLMAN. Without objection, your brief will be printed in the record following your oral statement.

Mr. WEDELL. In the 10 minutes allotted, I would like to summarize it.

The council's membership consists largely of U.S. corporations and individuals striving to encourage and promote the two-way street of trade between the United States and Denmark. It is the only organization in the United States engaged generally in that important task. Trade between the two countries has been markedly successful as the combined exports and imports of the two nations have increased from $258,900,000 in 1959 to $448 million in 1967. In every year the trade balance has been in favor of the United States to the tune of $32,500,000 in 1959, trebling to $96 million in 1967. In 1 year alone; that is, from 1966 to 1967, the balance in favor of the United States increased from $46 million to $96 million. U.S. exports of farm products constitute 21 percent of total U.S. exports worldwide, as compared with Denmark, 37.7 percent of whose exports are farm products. Despite the fact that Denmark relies so substantially on the export of its farm products to support its trade with other nations, its purchases of farm products from the United States are well over the total value of the farm products which its exports to the United States.

Foreign trade is even more important to Denmark than it is to the United States, for Denmark finds it necessary to export almost 21 percent of its gross national product, as compared with 4 percent for the United States. Every one of the 50 States in this country produces goods of the types which Denmark buys. But more importantly here, what does Denmark buy from the States? Chief among them are soybean, peanut, and other oilseeds, grain, foodstuffs, both nonelectrical and electrical machinery, tobacco, transport equipment, and chemicals. Take one State as an example, Arkansas—this happens to be the home State of the prominent chairman of the committee and, by the way, the home of my wife, too.

Mr. ULLMAN. Let me congratulate you on that. I am going to convey to the chairman the reference to his State and also the fact that your wife is from there.

Mr. WEDELL. Thank you.

Arkansas exported over $65 million of soybeans and cottonseed oil in fiscal 1965–66, products which are Denmark's largest imports from the United States, in fact, amounting to $51 million in 1967. And so it goes with every State that members of this committee represent.

Now, what items make up the bulk of U.S. imports from Denmark? In dollar volume the major four items are canned meats (primarily hams), raw mink fur skins, nonelectric machinery, and cheeses. Three of these four major exports are farm products.

Why are we concerned? Some of the Danish cheeses are already subject to import quota limitations under TSUS. These and other Danish dairy products would be affected by numerous bills now pending. Danish hams would be limited under the provisions of bills now pending. And numerous bills are pending which propose to limit U.S. imports of raw mink skins.

Now, Mr. Chairman, when it comes to trade by Denmark with the United States, it is not a matter of unfair competition and price cutting. In the case of ham and the bulk of Danish cheese, it is a matter

of high-quality Danish products which fetch higher prices from U.S. consumers than domestically produced products. This is justifiably so. In the case of raw mink fur skins, it is a case of supplying quantities and colors primarily used for the trimming trade as distinguished from the fur garment trade. There can be no doubt from a careful reading of the Tariff Commission report on raw mink fur skins that U.S. production of such skins, usable by the trimming trade, is not adequate to satisfy the requirement of U.S. women's apparel manufacturers. In the case of most other commodities it is simply fair-and-square competition in quality products produced efficiently by Danish agriculture and industry. A further trade handicap as proposed by these quota bills is bound to severely damage a happy commercial relationship to the advantage of no one.

Our great country would make a fatal mistake if it scuttles the very recent Kennedy round agreements, which Denmark, among other countries, worked so hard to help make a success.

We urge that your committee reject the concept of automatic quotas and remain faithful to the principle of free trade as represented by the Kennedy round. The balance-of-payments problem must, of course, be solved. We realize that. But we are hiding our heads in the sand if we believe that automatic and indiscriminate limitations on imports can provide a solution, especially when it comes to Danish-American trade relationships where the trade balance is so strongly in favor of the United States, that in 1967 the United States sold 54.5 percent more goods in dollar value to Denmark than Denmark sold to the United States. We hope that this committee and the Congress, in its wisdom, will find a solution that will not backfire, as we are sure the imposition of import quotas would do.

It may be of interest to this committee to have some facts as to how Scandinavia in the past has contributed to the solution of the balance-of-payments problem, and what plans it has for increasing its contribution toward that problem. This is merely one example I mention.

In the 22 years since it began operations to the United States, Scandinavian Airlines, in which Denmark has a substantial investment, has bought or ordered approximately $600 million worth of American built aircraft. When its currently contracted-for reequipment cycle is completed in 1971, SAS estimates that it will have spent over $300 million more here than its projected earnings in America during the same period; that is, 22 years.

This massive contribution to the U.S. balance-of-payments position includes other multi-million-dollar purchases of ground support and electronic data processing equipment. But it does not take account of possible orders to be placed in the next 3 years for additional U.S.-produced aircraft and electronic items.

At the same time, SAS has been a pioneer in the promotion of tourism from Europe to the United States and has joined with the other airlines in offering lower promotional fares for Europeans coming to the United States.

Thus, the United States produces high-performance aircraft and the Scandinavians buy them. The Danes produce high-quality foodstuffs, and the Americans pay premium prices for them. That is, from

all points of view, constructive two-way trade. That is trade as it should be, helpful to both trading nations. But artificial and automatic quotas are not designed to preserve that sort of trade—instead only to curtail it and maybe kill it.

As believer in the two-way street of trade between the United States and Denmark, we are here in the best of conscience when it comes to U.S. export to Denmark.

(*a*) The 1967 trade balance in favor of U.S.A. was 54.5 percent.

(*b*) Denmark has no import restrictions whatsoever contrary to U.S.A.

(*c*) Denmark's population is less than 5 million people versus the United States at least 200 million people and its higher standard of living.

(*d*) In 1967 every American only spent about 85 cents on Danish products while every Dane spent about $53 on U.S. products.

All this indeed makes one wonder why does the United States maintain any import restrictions on Danish products in the first instance and to say the least consider imposing further restrictions at all with that kind of impressive trade record in U.S. favor and in addition involving as it does a little nation historically most friendly to the American nation.

In concluding, Mr. Chairman, the Danish American Trade Council and its members want the record here to reflect our enthusiastic support for the administration's proposed Trade Expansion Act of 1968. The President has acted forthrightly and affirmatively in formulating his proposals, and we support them. The extension of negotiating atuhority is as vital as is the enactment of relaxed conditions for providing adjustment relief. We urge this measure be given prompt and wholehearted support by this committee.

Mr. Chairman, that concludes my statement. I and the experts on Danish meats, cheeses, and raw mink furskins who are here with me will be happy to provide any further information we have which could be helpful to the matters this committee now has under consideration. I thank you for this opportunity to appear before you.

(The Danish-American Trade Council brief referred to follows:)

BRIEF ON BEHALF OF THE DANISH-AMERICAN TRADE COUNCIL

My name is Gustav Wedell. I am a past President, now member of the Board and Chairman of the Business Practices Committee of the Danish American Trade Council, Inc., 665 Fifth Avenue, New York, N.Y., a New York corporation. I have brought with me to the table Mr. Knud Sorensen, President of Plumrose, Inc., a major importer of Danish food products, Mr. Ib Pedersen, Cheese Consultant of my Committee, Mr. Martin Fromer, attorney of New York who represents major importers of Danish cheese and who has broad knowledge of the existing restrictions on same; furthermore, Mr. B. H. Hessel of the Scandinavian Fur Agency, Inc., a New York corporation which acts as clearing agency for most of the mink furskins raised in Denmark and the other three Scandinavian countries and sold to U.S. buyers in the open auctions held in those countries.

These gentlemen are here only to aid me in answering any questions any member of your Committee may have relative to the major products imported by the U.S. from Denmark.

The Council's membership consists largely of U.S. corporations and individuals striving to encourage and promote the two-way street of trade between the U.S. and Denmark. It is the only organization in the United States engaged generally in the important task of promoting that trade. Trade between the two countries has been markedly successful as the combined exports and imports of the two

nations have increased from $258,900,000 in 1959 to $448,000,000 in 1967. In every year the trade balance has been in favor of the U.S. to the tune of $32,500,000 in 1959, trebling to $96,000,000 in 1967. In one year alone, i.e., from 1966 to 1967 the balance in favor of the United States increased from 46 million dollars to 96 million. U.S. exports of farm products constitute 21 per cent of the total U.S. exports as compared with Denmark, 37.7 per cent of whose exports are farm products. Despite the fact that Denmark relies so substantially on the export of its farm products to support its trade with other nations, its purchases of farm products from the United States are well over the total value of the farm products which it exports to the United States.

Foreign trade is even more important to Denmark than it is to the United States, for Denmark finds it necessary to export almost 21% of its gross national product as compared with 4% for the United States. Every one of the 50 states in this country produces goods of the types which Denmark buys. But more importantly here, what does Denmark buy from the States? While the members of this Committee are perhaps familiar with the figures, I should like to briefly remind you of production in the States represented by members of this Committee of the type which Denmark buys in substantial quantities. The figures I will use are from the Danish Government and from the U.S. Department of Commerce, the latter being from the publications of the Department of Commerce entitled "State Export Origin." The state by state figures I shall cite are for fiscal 1965/66, the latest data available. Denmark's trade is given for 1967 where available.

In 1967 Denmark bought in the United States 272 million dollars worth of products, the leading commodities being oil seeds, grain and foodstuffs, non-electrical machinery, tobacco, electrical machinery, transport equipment and chemicals, these seven categories of products accounting for over $176 million dollars.

Let's look at the exports of products from the states represented by members of this Committee, starting alphabetically with Arkansas, home state of your Chairman and, I might say, home state of my dear wife.

Arkansas exported over 65 million dollars of soybeans and cottonseed oil. Soybeans represented the state's largest agricultural export. Denmark buys a lot of these products, its purchases of U.S. soybeans and soybean meal in 1967 totaling over 56 million dollars.

California is a great export state, sending 17 and a half million dollars of feed grains abroad and 475.5 million in transport machinery. Non-electric machinery exports were 226.7 million—an increase of 124% over 1960. Denmark has purchased increasing amounts of these products; in 1967 over 18.5 million dollars of feed grains, 22.4 million in transport equipment, and 18.6 million in electrical machinery.

Florida shipped abroad $9.7 million worth of tobacco, $4.1 million of feed grains, and $183 million of chemicals. In 1967 Denmark bought from the U.S. over 32 million dollars in grains and foodstuffs and $7.5 million of chemicals and allied products.

Georgia is a great tobacco exporter, sending $33.7 million abroad along with $30 million of soybeans and cottonseed oil. Denmark's tobacco purchases from the United States in 1967 were $16.7 million and it may be of interest that peanut meal, a product produced in substantial quantities by the State of Georgia for export, was purchased in substantial quantities by Denmark. Georgia's export of transport equipment doubled from 1963 to 1966, the total for the latter year being $104.3 million.

Illinois is first in exports of non-electrical machinery, $918 million—and first in exports of feed grains, soybeans, protein meal and soybean oil, amounting to over $152 million. In 1967 Denmark bought vast quantities of those products and 46.5 million dollars of non-electrical machinery from the United States.

Kentucky sent $32.7 million of tobacco abroad along with $17.4 million of feed grains and soybeans.

Louisiana shipped abroad chemicals worth $117.2 million and also exported over $13 million in soybeans, cottonseed oil and feed grains.

Massachusetts' overseas sales of non-electric machinery were $183.9 million—and surprisingly—over two and a half million dollars of tobacco.

Michigan, naturally, leads the nation in exports of transport machinery to the tune of $789.9 million, while non-electrical machinery sales abroad increased 82% between 1960 and 1966, up to $298.4 million. In agricultural products Michigan exported $33.8 millions of feed grains and soybeans.

Missouri's exports of manufactured goods have doubled since 1960, with sales of transport equipment at $96.4 million and with electric machinery at 15.9 million. Sales to foreign markets of farm products accounted for ⅙th of the state's cash receipts to farmers, and soybeans and feed grains contributed 108 million dollars to this.

Montana doubled its exports of manufactured goods and other products between 1960 and 1966. On a per capita basis Montana ranked second in the nation in agricultural exports including $16.2 million in foodstuffs.

New York's exports of non-electric machinery more than doubled between 1960 and 1966, to a total of $464 million. New York also exported $6.1 million in feed grains.

Ohio exported $116.9 million of feed grains, soybeans, soybean oil and protein meal. Both non-electrical machinery and transport equipment had export sales of between $400 million and $500 million in 1966 from Ohio.

Oregon's electrical machinery sales doubled to $28.7 million in 1966 over 1960 and feed grain exports were $8.1 million.

Pennsylvania's export of manufactured goods increased 42% between 1960 and 1966, non-electrical machinery increased 60% to $387.4 millions. The state also exported $12.2 million of feed grain and $8 million of tobacco.

Tennessee also exported substantial quantities of the major goods being bought by Denmark from the United States. Tennessee's exports in 1966 included $107 million of chemicals, $37.5 million of protein meal, soybeans and soybean oil, and $12.4 millions of tobacco.

Texas was the largest exporter of cottonseed oil, at $13.8 million, along with over $150 million of feed grains and protein meal. Texas also exported $439 millions of chemical products and $162.8 millions of non-electrical machinery.

Virginia, the second largest exporter of tobacco products, sold $194.2 millions of these products abroad, as well as $33.6 millions of raw tobacco and $15.4 million of feed grains and soybeans.

Wisconsin ranked seventh on a per capita basis on exports of machinery, its sales representing $151 for each of its residents, non-electrical machinery exports were $328.3 million and exports of transportation equipment were $73.6 millions. Her exports of feed grains amounted to $17.2 millions.

To take but one example—if Danish 1967 purchases of 51.1 million dollars of oil seeds were cut in half, it would be equal to 150% of Wisconsin's total 1966 sales of feed grains abroad.

Now, what items make up the bulk of U.S. *imports* from Denmark? In dollar volume the major four items are canned meats (primarily hams), raw mink furskins, non-electric machinery and cheeses. Three of these four major exports are farm products. Why are we concerned? Some of the Danish cheeses are already subject to import quota limitations under TSUS. These and other Danish dairy products would be affected by numerous bills now pending. Danish hams would be limited under the provisions of bills now pending. Numerous bills are also pending which propose to limit U.S. imports of raw mink skins.

The Herlong across-the-board import quota bill (H.R. 16936) would without question result in a curtailment in the importation of raw mink furskins and could now or in the future affect other U.S. imports from Denmark. Thus, we in the Danish-American Trade Council who do business with Denmark are vitally concerned with import quota proposals which would bring about a shrinkage in the two-way trade we have laboriously and at great cost built up over the years.

The mere possibility of the enactment of quota legislation now before this Committee has a debilitating effect on the Danish-American exporter and importer. For the past ten to fifteen years Danish exporters and American importers have spent considerable funds advertising and electrical machinery exports were $328.3 million and exports of transportation equipment were $73.6 millions. Her exports of feed grains amounted to $17.2 millions.

To take but one example—if Danish 1967 purchases of 51.1 million dollars of oil seeds were cut in half, it would be equal to 150% of Wisconsin's total 1966 sales of feed grains abroad.

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The mere possibility of the enactment of quota legislation now before this Committee has a debilitating effect on the Danish-American exporter and importer. For the past ten to fifteen years Danish exporters and American importers have spent considerable funds advertising and promoting Danish products in the American market and American exporters and Danish importers have done the same in Denmark. Now, however, with the possibility of road blocks being thrown up by this proposed legislation, able businessmen on both sides must begin to consider retrenchment in current expenditures in order to take care of a possible decline in future business. After all, if an important segment of Danish exports to the United States are placed in jeopardy by the legislation which the Congress enacts, Denmark could, by sheer necessity, have no alternative to a revision of its trade policy vis-a-vis the United States despite the fact that any such action would be completely foreign to Denmark's free trade philosophy.

Curtailment of the two-way trade between Denmark and the United States would also have certain side effects. Among other things, it would decrease the tonnage of that trade carried on U.S. ships and thereby cut back the labor force utilized by shipping companies, by transportation companies, customs houses, brokers, warehousers, etc., who now are employed in facilitating the movement of U.S. products to Denmark and Danish shipments to the U.S. U.S. importers of Danish meats alone employ hundreds of people, contribute to the employment of hundreds of brokerage houses and food distributors who employ thousands of wage earners. U.S. companies promoting Danish products spend millions of dollars a year in the United States advertising and have invested millions in U.S. facilities to process and handle those products.

In the case of Denmark it is difficult to see why legislation blocking Danish sales of raw mink skins, canned meat products and cheeses is being proposed when you consider that the U.S. in 1967 sold 54.5% more goods in value to Denmark than Denmark sold that year to the U.S. and—as pointed out above—Danish purchases in the United States affect the manufacturing and farm products of all states—particularly those represented in this Committee.

And, Mr. Chairman, when it comes to trade by Denmark with the United States, it is not a matter of unfair competition and price cutting. In the case of hams and the bulk of Danish cheese, it is a matter of high quality Danish products which fetch higher prices from U.S. consumers than domestically produced products. This is justifiably so. In the case of raw mink furskins it is a case of supplying quantities and colors primarily used for the trimming trade as distinguished from the fur garment trade. There can be no doubt from a careful reading of the Tariff Commission report on raw mink furskins that U.S. production of such skins usable by the trimming trade is not adequate to satisfy the requirements of U.S. womens apparel manufacturers. In the case of most other commodities it is simply fair and square competition in quality products produced efficiently by Danish agriculture and industry. A further trade handicap as proposed by these quota bills is bound to severely damage a happy commercial relationship to the advantage of no one.

The advocates of import restrictions in the U.S. should realize that the imposition of such restrictions on a string of important commodity groups would, while providing temporary safeguards for this or that narrow branch of industry, constitute a breach with the fundamental principle of free international trade to which every administration has been committed during the postwar years. These advocates should ask themselves whether in the long run the U.S.A. will be well served by a reversal of the laboriously adopted principle of free trade. If this is what U.S. trade and industry want and get—the relapse to a restrictive import policy wil leave its mark on the United States and all of its trading friends in the free world. And in such case, U.S.A.'s exports will undoubtedly in the near future be faced with obstructions and quota arrange-

ments in other countries which will neither be in the interest of American exporters nor of international trade collaboration.

It should not be forgotten that during the Marshal Aid twenty-odd years ago responsible U.S. spokesmen urged the Danish people to work harder and produce more, and more efficiently, in order to take advantage of the U.S. market and thus recover and thereafter be able to stand on their own legs.

Our great country would make a fatal mistake if it scuttles the very recent Kennedy Round agreements which Denmark, among other countries, worked so hard to help make a success.

We urge that your Committee reject the concept of automatic quotas and remain faithful to the principle of free trade as represented by the Kennedy Round which this Committee some years ago authorized. By so doing, you as legislators can do much to maintain the happy trade relations which now exist between Denmark and the United States. By so doing, American agriculture and industry will not have to suffer should Denmark and its European neighbors, through no fault of their own, be forced to withdraw the trading advantages which they have granted U.S. products under the Kennedy Round. The balance of payments problem must, of course, be solved. But we are hiding our heads in the sand if we believe that automatic and indiscriminate limitations on imports can provide a solution. We hope that this Committee and the Congress in its wisdom will find a solution that will not backfire as we are sure the imposition of import quotas would do.

It may be of interest to this Committee to have some facts as to how Scandinavia in the past has contributed to the solution of the balance of payments problem and what plans it has for increasing its contribution toward that problem.

In the 22 years since it began operations to the United States, Scandinavian Airlines, in which Denmark has a substantial investment, has consistently invested more in this country than it has taken out. During that period, SAS has bought or ordered 163 American-built aircraft involving a total cost of approximately 600 million dollars. When its currently contracted for re-equipment cycle is complete in 1971, SAS estimates that it will have spent over $300,000,000 more here than its projected earnings in America during the same period. This massive contribution to the U.S. balance of payments position includes other multi-million dollar purchases of ground support and electronic data processing equipment; but it does not take account of possible orders to be placed in the next three years for additional U.S.-produced aircraft and electronic items.

At the same time, SAS has been a pioneer in the promotion of tourism from Europe to the United States. This year alone it has expended almost one-quarter of its system advertising and promotional budget to that end. It has joined with the other airlines in offering lower promotional fares for Europeans coming to the United States. SAS is convinced that the result will be a sizable increase in its westbound traffic to America, not only through New York, but through its gateways, such as Los Angeles, Seattle, Chicago and other major coastal and interior cities. This growing traffic from Scandinavia is all the more contributory to the U.S. balance of payments because of the comparatively high average expenditures of Scandinavian tourists.

That's the kind of trading we think it is important to keep alive. The U.S. produces high-performance aircraft and the Scandinavians buy them. The Danes produce high-quality foodstuffs and the Americans pay premium prices for them. That is constructive two-way trade—that is trade as it should be—helpful to both trading nations. But artificial and automatic quotas are not designed to preserve that sort of trade—instead only to curtail it.

Finally, Mr. Chairman, the Danish American Trade Council and its members want the record here to reflect our enthusiastic support for the Administration's proposed Trade Expansion Act of 1968. The President has acted forthrightly and affirmatively in formulating his proposals and we support them. The extension of negotiating authority is as vital as is the enactment of relaxed conditions for providing adjustment relief. We urge this measure be given prompt and wholehearted support by this Committee.

Mr. Chairman, that concludes my statement. I and the experts on Danish meats, cheeses and raw mink furskins who are here with me will be happy to provide any further information we have which could be helpful to the matters this Committee now has under consideration. I thank you for this opportunity to appear before you.

The CHAIRMAN. Thank you, sir; for coming to the committee and giving us this statement of your views, and bringing with you those at the table.

Are there any questions?

Mr. Ullman?

Mr. ULLMAN. I would like to ask one question of Mr. Hessel.

You have information on the comparison of pelt imports between 1965, 1966, and 1967?

Mr. HESSEL. Yes.

Mr. ULLMAN. Could you give me the figures for those 3 years?

Mr. HESSEL. Do you want the dollar values?

Mr. ULLMAN. All of those, if you don't mind.

Mr. HESSEL. Do you want Denmark, or——

Mr. ULLMAN. Both, if you have them.

Mr. HESSEL. In 1965, the imports of Danish minks amounted to 1,175,000 skins at a dollar value of 14.016 million.

May I mention to you that the imports of mink skins from Scandinavia in total declined in 1967, and declined considerably in the first few months of 1968.

In 1967 prices declined. In 1968 prices advanced very strongly, and it proves the contention of the Tariff Commission that the imports have no bearing on the price level of the mink skins.

Mr. ULLMAN. Do you also have 1966?

Mr. HESSEL. In 1966, 1.508 million were the Danish imports, and the dollar value was 18.567 million.

Mr. ULLMAN. That was Scandinavia, or Denmark?

Mr. HESSEL. This was Denmark. Do you want the totals?

Mr. ULLMAN. The 1965 figures were also Denmark, right?

Mr. HESSEL. I can give you the totals.

1967 for Denmark is 1,195,000 skins, and the value is $11,282,000.

Now, you want the whole of Scandinavia?

Mr. ULLMAN. Can you give me the figure for all?

Mr. HESSEL. 3,551,000 for 1968 total——

Mr. CONABLE. Would the gentleman yield?

Doesn't that mean that the prices are related to the imports in the previous year?

Mr. HESSEL. May I explain that—or, let us say—over 90 percent, 90 to 95 percent of the Scandinavian minks coming into this country are purchased by American people at an auction, which is attended by a worldwide audience. And it is not a question of merchandise being shipped here and then sold. The merchandise is purchased and paid for by Americans before they even ship it. And the world prices are the deciding factor, the world conditions, because the American buyer competes with the buyer from the other European countries.

Does that answer your question?

Mr. CONABLE. Your figures show that in 1967 the imports fell off quite sharply over 1966, and in 1968 the price had risen quite sharply.

Mr. HESSEL. Yes; and the imports declined.

Mr. CONABLE. Price is affected by supply, of course.

Mr. HESSEL. No; I wouldn't answer it this way. The market went up in Europe as well as in this country. It is not that the American market price went up and the European price stayed low. The market went

up in Europe at the same rate, and, as a matter of fact, the price advance on the Scandinavian minks in 1968 in percentages is almost equal with the American mink.

Mr. CONABLE. Has this been a distressed industry in Europe as well as in this country?

Mr. HESSEL. In 1967, fur prices, not only for minks, but fur prices right down the line, declined. As a matter of fact, take the American Alaska seal, which is monopoly of the U.S. Government. It declined exactly the same way as most of the other items, so it was a general price decline which was worldwide, and not centered on one item.

Mr. CONABLE. Thank you, Mr. Chairman.

Mr. ULLMAN. Let me ask you while you are on that subject what the main reason for the increase in imports in 1966 as against 1965 was. Why was there such a large rise in imports in 1966?

Mr. HESSEL. The increase of imports is based on an increased demand. American consumption increased, and therefore the merchant would increase his purchases.

Mr. ULLMAN. What I would like to know is, why is the mink industry in such a distressed state at the present time? Maybe you could give us some pointers on that.

Mr. HESSEL. I would say that this is—the domestic mink industry is in a problem. That is a fact. But I believe that you have to get, or to take into consideration that this is a world commodity, and the prices have to set by the demand, and not only in one country, but the demand has to be in all countries and the decline, and the depression which you had in the mink industry in 1967 was largely that economic conditions in this country declined, and that West Germany, which has become one of the great factors in the fur industry, had a very bad spell, and practically ceased buying until May or June of 1967.

I don't think that the solution for the domestic mink producer is a quota. I think we have other ways. This industry is getting conscious of promotion. We can increase the outlet, the demand for the item.

You have 200 million people in this country, and I also want to bring out that the commercial producers have increased from 1950 to 511 today; 88 percent of the American production is produced by 51 percent of the producers.

The problem is that the remaining 49 percent cannot face the problems of production. They cannot produce, probably, economically enough.

Mr. ULLMAN. What percentage of the—excuse me. Go ahead.

Mr. HESSEL. In other words, 49 percent of the mink producers produce only 12 percent of the quantity, and these are the people which I think have the problem.

Mr. ULLMAN. What percentage of the world market is the American fur market?

Mr. HESSEL. The United States produced in 1967, 6.7 million skins. The world production was 22.6.

Mr. ULLMAN. What about consumption?

Mr. HESSEL. Now, the consumption, the consumption in the United States, for 1967, was 10 million skins.

Mr. ULLMAN. We produced——

Mr. HESSEL. And the domestic production was 6 million.

Mr. ULLMAN. And we imported the rest?

Mr. HESSEL. You imported 5.3, but then you have your exports. You see, the United States exported 1.3 of its domestic production.

Mr. ULLMAN. Can Scandinavia produce pelts cheaper than we can here?

Mr. HESSEL. The production cost of mink ranchers has been something which I was present at the 1959 hearing before the Tariff Commission, and now in December 1967 the production costs between ranches in each country differ quite considerably.

The Scandinavian production cost is definitely not so much less than the U.S. production, because cereal products cost considerably higher in Scandinavia than they are in this country. Labor may be somewhat higher in this country and somewhat less in Scandinavia, but I would say the actual production cost is not a very considerable one. And I also would like to bring out here that the last Tariff Commission hearing in 1967, in December, where these questions were asked, and the Tariff Commission had a very difficult time to pin down what is the actual average cost of production.

Mr. ULLMAN. I wish I knew how this trading mart really worked. Do you think that the New York fur mart is a good and equitable way to establish fur sales and the prices on the world market?

Mr. HESSEL. Well, just as well as the American travels to Europe to purchase at auction sales in London or Scandinavia the type of skins which he needs, the Italian, the West German, the English, the Belgian, come to New York and purchase the type of skins which they require for their trade. And the figures show that the average of the export of American minks is higher than the average of the production in this country.

In other words, the foreign buyer comes here and purchases this type which he requires, and the—I have a slight idea why you are asking me this question—the splitting up of this market I would consider a very great loss and mistake, because, first of all, it will take—if you start selling American minks in Europe, you will take away from the importance of New York, because the buyer who comes here, the fur buyer who comes here, he doesn't only purchase minks, he buys American goods. He buys Canadian furs. He buys madeup garments. It is a combination.

If you split up this offering of American minks over two markets, I personally would consider—I think you are making a mistake.

Mr. ULLMAN. I think it is a great institution. I just wish I knew a little more how it works.

Mr. WEDELL. Mr. Ullman, on June 26, this committee has scheduled hearings on the mink problem, and we will have both Mr. Hessel and myself and another witness. And I think we can answer many of your questions then.

But, basically, it will be on the basis of the Tariff Commission, which has just completed, as you know, a very exhaustive study.

I know there is some dissatisfaction with it. Nevertheless, the facts were very darn good—it is a good factfinding body, and we can review those for you.

Mr. ULLMAN. We can look forward to it at that time.

Would you complete those figures now? You had completed part of 1965 from Scandinavia.

Mr. HESSEL. You want 1965 for Scandinavia; $45,780,000 in 1965 was the money amount.

In 1966 the total was 4,000,387 skins. The value was $55,000,517.

Now, 1967, 3,000,817, and the dollar value, $37,413,000.

Mr. ULLMAN. Thank you very much.

Are there other questions?

If not we thank you for appearing before the committee, Mr. Wedell, and your colleagues.

Mr. ULLMAN (presiding). Dr. Dymsza, we are happy to have you before the committee. With the knowledge that your full statement will be in the record, will you proceed.

STATEMENT OF DR. WILLIAM A. DYMSZA, RESEARCH DIRECTOR, INTERNATIONAL BUSINESS INSTITUTE, GRADUATE SCHOOL OF BUSINESS ADMINISTRATION, RUTGERS UNIVERSITY

Dr. DYMSZA. My name is William Dymsza, of Rutgers University.

I will highlight my presentation. I will appreciate it if my complete brief is made part of the record.

Mr. ULLMAN. Without objection, that will be made a part of the record following your oral statement.

Dr. DYMSZA. My statement is based on studies at Rutgers International Institute on various aspects of trade policy, which includes tariffs and trade barriers, and also East-West trade policy.

I am not speaking for the companies supporting these studies, or for the organization supporting the studies in part. I am speaking from what we have discovered so far, because the studies are far from complete.

The major points of my testimony are as follows: I recognize the concern of this committee and also the Congress of the United States in the question of the balance-of-payments problem. I believe, however, that the imposition of import quotas cannot solve the balance-of-payments problem except in a very temporary fashion.

Balance-of-payments problems result from many factors. It results from the U.S. worldwide commitments, including the war in Vietnam and the troops in Europe and elsewhere, but also results from the increased propensity of Americans to purchase consumer goods and to travel overseas, as well as the increased tendency of U.S. companies to make investments overseas.

Another important factor is the inflation we have had since 1965.

The problem of import quotas is that they would not deal with the basic causes of the balance-of-payments problem. They would also lead to retaliation.

As I said, rising imports in this country are at least a part of the result of inflation since 1965. Passage of the tax surcharge would make an important contribution to holding down inflation, although it would come somewhat late.

Many other steps could be taken, including a much more vigorous export expansion program, reduction of U.S. troops overseas, and other types of policies.

Now, Congress repeals the ASP system, if it does and does not impose new import restrictions, then the U.S. Government has a good chance of getting acceleration of tariff reduction in Western Europe. This would be very helpful to the balance-of-payments problem.

There has been a considerable demand on the part of U.S. industry to impose import quotas to maintain employment in U.S. industries that face increased import competition. It is my point of view that this would not maintain employment except on a very short term basis.

The import competing industries face many other problems besides import competition. They face shifts in consumer demand and shifts in competing industries. They have failed to modernize facilities sufficiently in some cases and have not developed new and improved products.

Import quotas cannot deal with these basic problems. They would tend to try to freeze the existing industrial status quo and would lead to an increase in prices.

Trade adjustment systems is a better approach.

Now, the imposition of import quotas would also be in violation of GATT, and this is a very serious matter, as well as the fact that it would lead to retaliation by foreign countries.

Also, I advocate the repeal of the ASP on chemicals and other products. This is important to get the full tariff reductions and other concessions negotiated in the Kennedy round. The repeal of ASP is important in making a start in reducing nontariff trade barriers. We cannot expect foreign countries to reduce their nontariff barriers unless we reduce some of our own.

I believe the companies would be able to adapt to repeal of the ASP. From my study, we found that many companies are concerned about a wide range of these nontariff barriers in Europe and elsewhere. They are concerned in some cases about existing import quotas in Japan, Australia, and New Zealand. They are concerned by the adjustments in Europe, border adjustments, about Government procurement practices. And they are concerned also by some removal of cartel practices.

From our study there has been a great deal of attention on the border tax issue. I believe that the GATT rules place the U.S. industry at a competitive disadvantage, because we rely primarily on corporation and income taxes, whereas, foreign countries rely more on indirect taxes.

We should make strong efforts, as I understand the Government is making, to revise the GATT rules. Future negotiations will see that nontariff barriers will play a far more important role. These foreign tariff barriers can be attacked in different ways.

Where GATT rules are violated, the United States should insist upon compliance.

In a case of border taxes, we shall try to revise the GATT rules. In the case of other types of restrictions, such as cartel practices, there is a possibility of international conventions to eliminate the harmful and disruptive effects of these private restrictive practices.

Finally, I would hope in the long run that the President has the authority to negotiate down nontariff barriers as well as tariff barriers. That is, we would try to get foreign countries to eliminate their nontariff barriers and in turn would try to reduce some of our own to encourage an expansion in world trade.

Another area of opportunity here in which we have made studies in conjunction with business companies is the whole question of East-West trade. I am just going to make a few comments on this question.

With the major changes taking place in Eastern Europe and the very rapid increase in trade between Western Europe and Eastern Europe, East-West trade offers us an opportunity for the United States. Trade of OECD countries reached $9 billion in 1967. It has doubled during the last 5 years. U.S. trade was around $370 million. It actually declined in 1967 from 1966.

There are many problems in trading with Eastern Europe and Communist countries, and these are well recognized; including the nature of their systems and many other aspects, by U.S. Governmnet regulations, the controls, the failure to extend treatment to these countries where it may be justified, and financing factors and so forth make it difficult for U.S. companies to compete in Eastern Europe.

In general, I believe in decontrolling further. There are many items that are barriers which could be eliminated from the control list.

A second thing I would advocate is the passage of the East-West Trade Regulations Act, under which the President would have authority to extend most-favored-nation treatment to Communist countries in return for equivalent concessions.

Business authority could be very helpful to deal with a situation like that which is emerging in Czechoslovakia at the present time. I hope in the future the committee will reconsider the whole question of the East-West Trade Regulations Act. And if we negotiate a settlement in Vietnam, which, of course, is very difficult and slow at this time, the whole question of East-West trade needs to be reexamined, with the opportunities it offers for U.S. companies and the U.S. economy.

I appreciate this opportunity to make this statement.

(Dr. Dymsza's prepared statement follows:)

STATEMENT OF DR. WILLIAM A. DYMSZA, RESEARCH DIRECTOR, INTERNATIONAL BUSINESS INSTITUTE, GRADUATE SCHOOL OF BUSINESS ADMINISTRATION, RUTGERS UNIVERSITY

SELECTED ISSUES IN POST-KENNEDY ROUND TRADE POLICY

A. Policies To Deal With the U.S. Balance-of-Payments Problem

The balance of payments is not likely to be improved by the imposition of import quotas as demanded by many industries. Any improvement would be very transitory, as we would expect foreign countries to retaliate. The most likely effect would be to generate a series of quotas and other restrictions abroad that would stifle trade and do away with much of the progress made in the Kennedy Round and previous trade negotiations going back to 1934.

Under GATT rules the United States has the authority to impose import quotas temporarily to deal with a balance of payments disequilibrium. It also has the right to impose exchange controls on current transactions under the International Monetary Fund regulations when there is a finding that a fundamental disequilibrium exists in its balance of payments. These measures, however, are not intended to protect American industries against foreign competition. Such restrictions should be eliminated once the balance of payments problem is resolved. Experience, however, indicates that once such restrictions are imposed, some American industries would pressure for their continuation. Another problem is that trade and exchange controls do not deal adequately with basic causes of the deficit. Furthermore, this country is such a large factor in world trade that its actions have a substantial impact on the balance of payments of other countries; thus import quotas would probably lead to retaliatory actions.

The U.S. balance of payments disequilibrium results from a number of factors—this country's worldwide commitments including the war in Vietnam, the deterioration in this country's competitive trade position partly as a result of the

inflation since 1965, the propensity of Americans to travel to a greater extent abroad and spend more on imported goods, and the development of multi-national industrial corporations and banks with the tendency to make increased overseas investments and loans. The United States involvement in the Vietnamese war has directly and indirectly increased the deficit substantially, sometimes estimated to be in the order of about two billion dollars a year. Last fall's sterling devaluation also aggravated the deficit.

The United States government's policies—which might be termed selective escalation and movement toward more direct controls—have been inadequate to deal with the deficit in the setting of this country's involvement in the Vietnamese war, a relatively full employment economy, and a commitment to the Dollar as a world reserve currency fixed in terms of gold at $35 an ounce. In my judgment, the important ingredient missing has been a more effective mix of fiscal policy with monetary policy to hold down inflation, specifically a tax increase. A more concerted export expansion program in cooperation with business, and earlier recognition and more determined action to eliminate the adverse competitive effects on U.S. exports of border tax adjustments in Western Europe would also have been helpful.

Furthermore, the 1968 balance of payments program of the Administration places the primary burden on American business companies to reduce their overseas investments. While this program will improve the deficit in the short term it will have adverse effects in the longer term.

In essence, I believe that balance of payment measures to achieve equilibrium should not place the main burden on restrictive trade policies or on exchange controls on business investments overseas. The policies can involve short term measures but should consider longer term repercussions on the U.S. economy and this country's foreign economic policy. The passage of the tax surcharge should be helpful to the U.S. balance of payments, but it comes somewhat late after a considerable degree of inflation has occurred. I would also advocate a more rapid reduction of U.S. troops in Europe and reductions in these expenditures. Measures should also be considered to reduce the tourist gap, such as a tax on foreign travel. More effective promotion of foreign travel to this country through special rate air flights and package arrangements should be undertaken, but this is unlikely to reduce the tourist gap substantially.

Although it is late, the promotion of exports as a national priority could be undertaken in cooperation with business in a more concerted rather than a fragmentary way. There is no reason why the United States should not have export credit and an array of export services available second to no other country. More evaluation is required of current export expansion efforts to make them more effective and to reach business companies capable of making a greater export effort. Increasing the competitiveness of U.S. exports after the recent inflation may require new attention. For example, more rapid writeoffs on investments to encourage modernization of productive facilities would be helpful. More determined efforts should be made to revise the GATT rules to permit a partial compensatory tax on imports and rebate on exports with respect to corporation taxes.

In other words, I believe in a mix of balance of payments policies where the impact is widely diffused on many groups in the economy, and not concentrated on U.S. companies with overseas investments and on trade policy. Such policies should be accompanied by more adequate fiscal as well as monetary policies. I also believe surplus countries should be pressed even more to expand their economies in order to increase imports and also accelerate tariff reductions.

Along this line, it would be advisable for Congress to repeal the American Selling Price and not to take any restrictive action against imports. Then the United States goverment could take advantage of the offer of Western European countries to accelerate their tariff reductions under the Kennedy Round. This would help this country's balance of payments to a considerable extent.

B. Import Restriction and Employment

Employment cannot be maintained except in the very short term by import quotas to protect U.S. industries from foreign competition. The inflation of 3.5 to 4.0% a year since 1965 has been a major factor in rising imports, along with a relatively full employment economy. Thus, the first approach to deal with rising imports should be a tax increase to hold down inflation, although it is quite late. However, the problems of import competing industries arise from many factors

besides rising imports, including failure in some cases to modernize facilities with the latest technology, shifts in consumer demand, competition from substitutes, and inadequacies of management. Some of the other problems usually are more important than import competition.

Imposition of import quotas would compound rather than solve the basic problems of these industries. It would try to freeze the industrial structure in a rapidly changing and dynamic economy. It would reduce the incentive for the industries to modernize their plants more rapidly, develop new and improved products, and compete more aggressively. It would saddle American consumers and end use industries with higher prices for goods, materials, and components. Since such import quotas are against GATT rules, we should expect retaliation by foreign countries that would reduce our exports and lead to a decline in employment in our most efficient industries.

A study of Beatrice Vaccara made a few years ago for the Brookings Institution entitled, *Employment and Output in Protected Manufacturing Industries* showed that high tariffs could not protect employment in this country. The industries that received the most protection were also the ones that were usually characterized by the slowest growth in this country and also tended to have declining employment. Another study by Dr. Walter Salant and Beatrice Vaccara also for the Brookings Institution entitled *Import Liberalization and Employment* indicated that the effects of rising imports on employment have usually been overemphasized. Salant's and Vaccara's median estimate was that the net loss of jobs in this country would be 150,000 for every rise of a billion dollars in imports. The study pointed out that the effect of changes in technology, automation, shifts in consumer tastes, and cyclical fluctuations in the economy were much greater on employment than rising imports.

All in all considering the above aspects, I believe that trade adjustment assistance is a far more effective way of dealing with increased import competition than import quotas and higher tariffs, especially if the programs actively involve business, labor, and the local community.

C. Repeal of American Selling Price

The repeal of the American Selling Price is of major importance in order to obtain the full benefits of tariff reductions and other concessions of the Kennedy Round and also to make progress in the future in reducing nontariff barriers against U.S. exports. The elimination of A.S.P. on benzenoid chemicals will present problems to some producers, but most of them can adapt to it as they have been modernizing and improving their efficiency. Chemical spokesmen in my judgment have been overstating the adverse effect of the elimination of A.S.P. Those producers who would encounter serious difficulties should be able to obtain adjustment assistance. From another standpoint, the repeal of A.S.P. would enable many chemical producers to increase their exports as a result of the substantially larger reductions of tariffs. Chemical spokesmen in my judgement have tended to understate the gains from larger tariff reductions in Europe. Of course, the companies who gain from exports may not be the same ones that suffer some harm from repeal of A.S.P. However, indirect as well as direct effects should be considered from increased chemical exports and also availability of lower priced benzenoid chemical materials that are used in many chemical and pharmaceutical end use industries in this country.

Perhaps, of greater significance, very little progress can be expected in reducing nontariff barriers on U.S. exports unles the United States repeals the A.S.P. With the recent tariff reductions negotiated under the Kennedy Round being implemented over five years, nontariff barriers will become more significant restrictions to an expansion of this country's exports. Since the A.S.P. valuation procedure is essentially a protective device, is contrary to GATT regulations, and is also a method of valuation that is not acceptable internationally, the United States will not have a case for elimination of other types of nontariff barriers unless it removes this major one that foreign countries find disturbing and discriminating. In my judgement, European countries have overemphasized the importance of the repeal of the A.S.P. Finally, I would emphasize that U.S. chemical and other companies have a good deal to gain from reduction of nontariff barriers overseas. The repeal of the A.S.P. will make possible various new approaches in this direction.

D. Border Tax Adjustments

From discussions with international trade executives, I have found increasing concern about the impact of border tax adjustments upon the competitiveness of U.S. exports. GATT permits countries to grant rebates on exports and impose

levies on imports to compensate domestic producers for indirect but not direct taxes. This rule is bassed upon the theory that indirect taxes are always fully shifted into the final price of the goods and that direct taxes are absorbed by the factors of production. As businessmen have long realized and economists have more recently accepted, this theory is not valid under existing competitive conditions. There are many indications that at least part of the corporation tax and social security taxes are shifted into the final prices of goods and some of the indirect taxes may be absorbed by business companies. Since the United States replies heavily on direct taxes and Western European countries rely substantially more on indirect taxes, the GATT rule tends to discriminate against U.S. products and to place them at a competitive disadvantage with those of Western Europe.

The question of border taxes is a highly complex and controversial issue. Since the GATT rule has been in effect for many years, many argue that the trade distorting effects of border taxes have been largely adjusted by changes in relative exchange rates, tariffs, and prices and by shifts in factors of production. On the other hand, there are many doubts of this with respect to many industries in which the United States and Western European countries compete from share of market studies and from the trends in this country's balance of payments. With the huge investments made to modernize industries, the expansion of markets, the establishment of larger size firms through merger, the achievement of internal and external economies of scale, and rationalization of industries, Western European industries have been giving American ones more severe price and non-price competition. Furthermore, exchange rate adjustments have been difficult to make under the present international currency system and the dollar as a key reserve currency has been fixed in terms of gold. Tariff rate changes in the past have in no way considered border tax adjustments. Shifts in factors is a slow process. In view of more severe price competition faced by U.S. manufacturers, the border tax adjustments probably take on more significance at present than in the past in placing this country's exports at a disadvantage. I recognize that there is disagreement about this issue, but this is the point of view of a number of knowledgeable international executives with whom I have had discussions.

What can be done about the inequity of border tax adjustments to the U.S. foreign trade position? Unfortunately, no ideal or easy solution is possible. The alternatives would be as follows:

1. The United States could change its tax system and impose a value added tax to at least in part replace the corporation tax as recommended by the CED;
2. The GATT rule could be changed to allow countries to compensate in full or more realistically in part for corporation taxes;
3. This country could negotiate with other countries to reduce border tax adjustments as part of a total approach to reduction of all types of barriers to international trade;
4. The United States could try to obtain a GATT waiver to permit some subsidies on its exports to industrial nations to compensate for the disadvantage it suffers from border tax adjustments.

All of these approaches present serious difficulties and would be difficult to implement. It would be unrealistic to expect a major change in this country's tax structure under which the value added tax would partly replace the corporation tax. Major tax changes in this country are not enacted for foreign trade reasons. Strong opposition could be expected to a value added tax on the grounds that it is more regressive than the corporation tax.

Changing the GATT rule on border tax adjustments would also be difficult to accomplish, as the countries which benefit from the present rule would not readily agree. However, difficult as it may be since the GATT rule is based upon incorrect theory, we should make a determined effort to achieve a border tax adjustment on a part of the corporation tax. Further study would be helpful to determine the percent of corporation taxes to be compensated, but even with comprehensive studies no ideal answers would probably be obtained. At any rate, some workable average percentage could be developed for negotiating purposes. Even though it may be difficult to achieve, I believe that the United States should press for this change in the GATT rule.

If the GATT rule cannot be changed, I believe that the United States should ask for a waiver to permit subsidies to compensate for the average disadvantage experienced by its exports as a result of border tax adjustments. Such a request might facilitate bargaining on a change in the GATT rule. Probably of greater sig-

nificance, future trade negotiations should encompass border tax adjustments and other major nontariff barriers as well as tariffs that remain in order to reduce all kinds of impediments to world trade.

Another problem arises from the harmonization of internal taxes in the European Common Market. This involves Germany and some other countries shifting from a turnover (cascade type) tax to a value added tax such as France presently has. In the case of Germany the shift from the turnover to the value added tax is clearly going to increase border tax levies on imports and rebates on exports. The United States cannot stand by and permit this adverse change to its competitive position. It should request compensating tariff reductions or other equivalent concessions. If such concessions are not granted, it should impose countervailing duties until it receives compensating concessions. This should be a firm stand.

E. International Conventions and Future Trade Legislation

As already indicated in this paper, measures that may constitute non-tariff barriers to trade have to be dealt with in a number of ways. Where the substance or spirit of GATT rules is violated by the practices of other countries, this country should vigorously press complaints for necessary changes. Many nontariff barriers may be dealt with by the negotiation of international codes or conventions. Government procurement practices, state trading by market economies, and burdensome customs laws and administration may be dealt with in this way, knowing it will take time and involve some difficult negotiations. Furthermore, some changes in American laws will be required.

However, of special importance, future trade legislation should grant the President broad authority and flexibility to negotiate with other countries on border tax adjustments, other nontariff trade barriers, as well as tariffs that remain. The President should be able to negotiate for changes in our practices that other countries consider nontariff barriers in return for concessions in all kinds of restrictions that impede U.S. exports. Such negotiations might go into matters that have been considered as domestic questions in the past, where the effect is to place American goods at a disadvantage in terms of goods produced in foreign countries. I recognize that it will not be easy to accept the principle of such broad negotiations in this country or overseas, but I believe the time has come to initiate such methods of reducing all kinds of barriers to international trade. The problems are many, including those of identifying major barriers, measuring their impact, developing effective negotiating procedures, and balancing packages of concessions against each other. I believe that this is the direction in which we should move.

U.S. EAST-WEST TRADE POLICY

A. The Framework of Policy

United States policy on East-West trade should especially consider the breakdown of monolithic Communism, the establishment of nationalistic communist states, and the economic reforms taking place in Eastern Europe. Countries such as Rumania and Czechoslovakia are striving to achieve greater political and economic independence. Perhaps even of greater importance, the Eastern European countries including the Soviet Union have been moving toward managerial decentralization, incentives to encourage greater productivity, the use of market concepts of costs, demand, prices, and profits, and more consumer oriented economies. The extent of economic reforms varies from country-to-country and it is difficult to foresee how far they will go. It would be rash, however, to expect these states to abandon their centrally-planned economies and state socialism and adopt our system of mixed capitalism. Still the political trends in Eastern Europe may be among the most important developments of our times. They may further diminish Cold War tensions and ideological conflicts and may lead to a closer integration of the economies of COMECON countries with the Western world. Increased trade and other business arrangements should positively encourage such developments.

B. Brief Summary of East-West Trade

While it is frequently maintained that East-West trade has only been a minor part of the total international trade on non-Communist countries—about 4.5% in recent years—it has been of considerable importance to the Western nations most fully involved. Trade of O.E.C.D. countries with Eastern Europe including the U.S.S.R. has about doubled from 1961 to 1967 and reached about nine (9)

billion dollars in the latter year. This represents an annual rate of growth of about 12% a year. The eastern European markets have been the most rapidly growing ones for O.E.C.D. exports during this period.

Besides the conventional exports and imports Western industrial nations have entered into licensing arrangements, sales of technology, and turnkey agreements involving sales of machinery and technology and provision fo engineering services for the establishment of plants in Eastern Europe. A major recent development has been negotiation of types of joint ventures or co-production agreements. The Western partner in these co-production arrangements usually supplies machinery, technical know-how, some management in an advisory capacity, and world marketing channels. The East European partner supplies the plant, workers, raw materials, and often certain components. Some of the output may be marketed in the Western country or in third countries through the marketing channels of the Western partner. This provides part of the payment to the Western company. Other payment takes the form of fees, royalties, interest on loans, and a share of earnings on sales. This type of arrangement is advantageous to both sides because it utilizes the comparative advantage of both parties, facilitates payment for equipment and technology, provides an opportunity of producing goods in Eastern Europe utilizing the substantial supply of skilled, well trained, and inexpensive workers, technicians, and engineers, and enables the produced goods to be sold in Eastern Europe, Western Europe, and other countries. These co-production ventures are expected to multiply in the years ahead.

United States has hardly participated in the growing trade with Eastern Europe. Its exports and imports amounted to 376 million dollars, about 7% of its total world trade in 1966 and 372 million dollars, about 6% of its total world trade in 1967. On the other hand, the trade of other O. E. C. D. countries increased by about 11% in 1967. Still, we should consider that a number of American companies conduct trade with Eastern Europe through their subsidiaries while no precise data is available, it is estimated that sales of machinery and equipment through U.S. subsidiaries are about three times greater than those from plants in this country. Few American companies have participated in the turnkey agreements, the package deals, and the co-production ventures—all of which have become increasingly important in recent years—except through their subsidiaries.

C. Some Major Problems in Trading with Communist Countries

It should be emphasized that many of the problems in developing East-West trade arise from the Communist economic system and their political and economic policies, including the centrally planned economies of Communist countries in which imports and exports are determined as part of their national plan, the monopolistic conduct of trade by state trading organizations, the past Soviet efforts to achieve autarchy and to restructure trade among COMECON countries, the bilateral character of their trade, the divorcement of their domestic prices and world market prices, their shortage of gold and convertible currencies, and their difficulty in selling to the West. Even with the recent expansion of East-West trade, only 30% of the foreign trade of CONECON countries has been with countries outside of this economic bloc. Furthermore, the Eastern European countries continue to be primarily exporters of agricultural foodstuffs, petroleum, minerals, and other raw materials, which have limited opportunities for expansion in the West in view of alternative available sources of supply, trends in demand, and developments in technology.

The obstacles are even greater in developing trade between the United States and Eastern Europe. The United States does not have the long historical trade ties with Eastern Europe that Western Europe has, now in the process of being revived. Furthermore, the economy of this country is far less complementary than that of Western Europe and Japan with Eastern Europe. Since the Eastern European countries have been primarily exporters of agricultural foodstuffs, fuels, raw materials, and base metals, in recent years, they have considerable difficulty in selling to the United States. Nevertheless, COMECON countries have developed a considerable industrial base and history shows that as nations industrialize and modernize their economies, the structure of their trade changes. The continuation of economic reforms, the establishment of more consumer oriented economies, and higher living standards in Eastern Europe should not only foster a rapid growth of trade but major structural changes in the composition and direction of their international trade.

D. U.S. Policy as an Obstacle to Trade

While not underestimating the other obstacles to United States trade with Eastern Europe, we want to emphasize that American trade policies have been a major barrier to the development of this trade. The more rigorous trade controls maintained by the United States on exports to Eastern Europe than those of other O.E.C.D. countries, the complex administrative organization and procedures for making decision on export controls and licensing under the Export Control Act, the withdrawal of most favored nation treatment to all COMECON countries except Poland, the Battle Act which applies coercion on other non-Communist countries to maintain controls on their trade with Communist countries, and the various laws and regulations that prevent or limit financial relations with Eastern European countries—all have impeded in a major way the development of this trade. Furthermore, trade with Communist countries has become a highly political and emotional issue in Congress and with elements of public opinion. The Vietnamese conflict has intensified the emotional aspects and we find statements such as that trading with the Soviet Bloc Communist countries is helping the enemy.

U.S. policy on East-West trade have been highly rigid and failed to adapt to the far-reaching changes taking place in Eastern Europe and in Western countries. The President enunciated in his State of the Union messages of 1966 and 1967 but not the one in 1968 that development of East-West trade was a way of building bridges between the United States and Eastern European Communist nations. However, the proposed East-West Trade Relations Act has not even been considered by the appropriate committees of Congress. Despite the easing of strategic controls in October 1966 and slightly in June 1967, this country, as previously mentioned, maintains a more severe level of strategic controls on exports to Eastern European countries than other Western nations do. Other O.E.C.D. countries generally embargo exports on goods clearly of strategic importance as agreed by COCOM, the permanent international working committee of the Consultative Group comprising all NATO countries (except Iceland) and Japan. As a result of the divergence on controls, Western European and Japanese business firms can export many products and technologies that American companies cannot. This has been frustrating to many companies in this country. It has also led to some frictions with other Western nations, especially when U.S. controls are extended indirectly to foreign corporations through the withholding of technology or components of American origin. However, even of greater significance, U.S. policy has failed to sufficiently consider the deep-rooted movement in Western Europe to abandon the doctrine of containment of Communism, reduce tensions with Communist countries, expand business and other contacts, and restore more normal economic and political relationships. Thus, U.S. policy on East-West trade has isolated this country on a major issue from other Western nations and has encouraged some tendencies toward establishment of a third force in Western Europe.

There is no question that President Johnson and his Administration have been ahead of Congress in recommending changes in East-West trade policies, but with the intensification of the Vietnamese war, they have not pushed vigorously for these changes. Recently, the Export-Import Bank Extension Act contained a provision prohibiting the Bank from extending credit guarantees to any Communist nation that is directly involved in supplying goods to Vietnam. This in effect limits medium term credit for the export of capital goods to COMECON countries. Thus in many respects the U.S. policy of building bridges with Eastern European nations through trade has become a casualty of the Vietnamese conflict and its emotional and political ramifications.

Nevertheless, in shaping future trade policy, we have to look beyond the political and emotional involvements of the president to the role that increased trade and business contracts can play in reducing international tension and conflicts and contributig toward more normal relationships. Along this line the Report of the Special Committee on U.S. Trade Relations with Eastern European Countries and the Soviet Union, more commonly called the Miller Report submitted to the President in April, 1965 is an inadequate framework for future East-West Trade Policy. The report did make a number of constructive recommendations, the most important one leading to the proposed East-West Trade Relations Act. However, the underlying philosophy of the report emphasized the Cold War, the containment of Communism, and the political aspects of trade. It stressed using trade as a political instrument of national policy in dealing with Communism. It used statements such as the following: "* * *

the time is ripe to make more active use of trade agreements as political instruments in relations with communist countries." "Trade is a tactical tool to be used with other policy instruments in pursuing our national objectives." "Commercial considerations, however, have not been the determining factor in framing U.S. policy in this subject and should not be now. It is not the amount of trade that is important but the politics of offering trade or withholding it." "In sum, trade with European Communist countries is politics in the broadest sense."

In my judgment the Miller Report overemphasized the political and cold war aspects of trade with Communist countries and failed to give sufficient importance to the economic and business aspects. It placed too great emphasis on the ideological struggle with Communism. It failed to adequately consider the changes taking place within Communism, the strong forces at work in East and West to expand mutually advantageous trade, and the opportunities for the United States to develop more common policies with other Western nations.

E. The Broad Directions of U.S. East-West Trade Policy

A forward looking American trade policy should seek to encourage the constructive developments taking place in Eastern Europe, such as the managerial decentralization, the movement toward Western market concepts, the trend toward more consumer oriented economies, and closer integration of the trade of these countries with the world economy. It should encourage movements toward greater independence such as those taking place in Czechoslovakia and Rumania. It should strive to align U.S. policies more closely with those of other O. E. C. D. countries. The objective should be to develop common Western polices on trade and finance with European Communist countries. The political and economic warfare aspects of trade should be de-emphasized and the economic and business aspects should be brought to the forefront. As political conditions permit, the United States should move to eliminate the differentiation in its policies with individual COMECON countries and evolve common policies for all Eastern Europe, including the Soviet Union. Difficult as it is, the United States should work for the establishment of a satisfactory code of principles between centrally-planned and market economies and strive to bring the Eastern European countries into a multilateral trading system based upon commercial considerations and involving convertibility of currencies. Finally, despite the many problems, this country should initiate trade with Communist China as a way of opening doors with this nation of 800 million people.

F. The East-West Trade Relations Act.

The passage of the East-West Trade Relations Act would be an important first step until the international atmosphere changes and more fundamental changes in policy can be undertaken. Under the act the President would have the authority to extend most favored national treatment to individual Communist countries, when he determines it is in the national interest after consulting with the government agencies concerned, business groups, and others. The authority could be used to negotiate commercial agreements with a particular country granting nondiscriminatory tariff treatment in return for equivalent concessions to the United States. Such commercial agreements would be for initial periods not longer than three years. The concessions received in return could include better access to markets on the basis of commercial considerations, more adequate arrangements for the protection of patents and other industrial property, agreements on procedures to avoid dumping and other forms of market disruption, and assurances regarding the arbitration of commercial disputes in third countries. Such a commercial agreement should provide the Eastern European country an opportunity to sell more in the United States as a result of the lower tariff rates. It should also improve the opportunities for American companies to develop their exports to the country. provided that other restrictions such as the strategic controls and financial restrictions are eased. However, in time as the United States gains experience in such agreements and trade expands and when political conditions permit, it should move toward the extension of most favored nation treatment to all Eastern European countries.

G. The Strategic Control System

The strategic control policy of the United States and its administration has proved to be ineffective in its major objectives and should be substantially modified. The United States distinguishes between strategic and peaceful goods in trade with the East. However, the distinction has not been a clear one. There

have been variations and inconsistencies in determining whether goods are strategic or nonstrategic in issuing export licenses. Goods are neither peaceful nor warlike; it is people who are peaceful or warlike. Most goods can be used for military as well as civilian purposes. There has been no disagreement about an embargo on arms, implements of war, atomic materials, and other military goods and highly sophisticated technologies with important military uses. However, the problem arises when strategic goods are extended to include a wide range of industrial materials and equipment that have significant civilian applications as well as possible military uses. It can readily be seen that many materials, machines and techniques can contribute to the industrial development and economic strength of a nation. A nation's industrial base and its entire economy can be shifted to support a military effort. Thus, if strategic goods are thought of in terms of those that make "a significant contribution to the military or economic potential" as defined in the Export Control Act as amended, a wide range of goods and techniques can be defined as strategic. Moreover, a widespread belief that trade with the potential enemy is immoral, the negative emphasis of the Export Control Act and the Battle Act, and Congressional attitudes have encouraged the United States governments to be highly restrictive in trade with the East.

The difficulty of applying a comprehensive system of export controls to limit the military-industrial potential of a sophisticated and highly self-sufficient economy like the Soviet Union should be recognized. The Soviet Union is a highly advanced economy capable of producing nearly everything that it needs. With a substantial scientific and technological base, it is capable of finding substitutes for most controlled goods. In fact, strategic controls may force technological change and more rapid development of substitute products. Moreover, the costs of strategic controls to such an economy may be overestimated. The Soviet Union, of course, may prefer to import goods and technologies available in the West at lower cost. In turn to pay for these imports, it has to devote resources to produce exports that can be sold to the West. When strategic controls are imposed on goods that the Soviets would like to import, they can shift resources that would be devoted to exports to development and production of substitutes. This may lead to a less efficient use of resources and increase costs. But the increase in costs may be of marginal significance in slowing down economic growth or military potential. The Soviet Union has demonstrated that it can develop practically any product or technology it wishes if it is willing to devote sufficient resources to it, even though it can be costly.

There is no precise way of measuring the effectiveness of the strategic trade controls in holding down or increasing the costs of the development of Soviet military-industrial potential. Yet, the fact that the Soviet Union has become the second major military power, that it has achieved impressive space and other scientific accomplishments, and that it has experienced a high rate of economic growth and industrial expansion during the period of the use of strategic trade controls would indicate that the trade embargo has had little effect in achieving its major objectives. The main effect probably has been to serve as an irritant in relations between the United States and the Soviet Union.

Since the United States has enforced more rigorous controls than other COCOM countries and most products only embargoed in this country could be readily obtained in Western countries, the system has been ineffective. The result has been to lead the Soviet Union and other Eastern European countries to buy goods in Western Europe and Japan rather than in the United States. This has penalized American businessmen and has served to favor businessmen in other countries. It has also given businessmen in other Western nations an opportunity to get a firm foothold in the rapidly growing markets in Eastern Europe. This will make it more difficult for American companies to compete in these markets in the future.

One way of assessing a policy such as the strategic controls is to weigh the benefits against the costs. In my judgment, the costs have exceeded the benefits because the policy has been ineffective in attaining its major objectives; it has been a major barrier to the expansion of U.S. trade with Eastern Europe and increased business contacts; it has given businessmen in other countries an advantage over American businessmen in conducting trade with these countries; it has aggravated tensions with COMECON countries, and it has increased frictions with other Western nations.

H. Changes in Export Control Act and Battle Act

In view of the above analysis, I would recommend that the Export Control Act be modified so that the United States could reduce its strategic controls to the level of other COCOM countries. This would require that the law be amended to limit strategic controls to goods and technologies of a clear military and military-industrial nature. The requirements that goods that make a significant contribution to the economic potential of the Soviet Union and other Eastern European countries be controlled should be eliminated from the law. Furthermore, the administration of the act should be considerably streamlined and simplified.

In my judgment, the Battle Act, the other major law dealing with strategic controls, should also be modified. The act passed in 1951 at the height of tensions with the Soviet Union is clearly a Cold War document. Its stated purpose is "To provide for the control by the United States and cooperating foreign nations of exports to any nation or combinations of nations threatening the security of the United States including the Soviet Socialist Republics and all countries under its domination * * *." The law provides for the mandatory termination of United States assistance, military, economic, and financial, to any country that knowingly ships military goods (Title I, Category A), including arms, ammunitions, implements of war, and atomic energy materials to Communist countries. It also provides for termination of all foreign assistance to any country that ships Category B goods, those of basic strategic importance in the production of military supplies to Communist nations unless the President finds that the cessation of such assistance is clearly detrimental to U.S. national security. Furthermore, the act provides for strengthening strategic controls in conjunction with other countries in Title II goods, those of secondary strategic importance. These are goods which if exported in large quantities, would contribute to the military-industrial potential, but usually have significant non-military uses.

The basic philosophy of the Battle Act to use the threat of withdrawing foreign aid to coerce non-Communist countries to accept strategic controls on exports of goods specified by the United States is a highly questionable one. This procedure has led to antagonisms with other non-Communist nations. This is a condition that sovereign nations do not like to accept in return for foreign assistance. Fortunately, the President has had some discretionary authority in administering the law. All in all, the act in its present form does not appear best suited to advance U.S. foreign policy interests in this rapidly changing world.

The Battle Act would be either repealed or substantially modified. One way to amend the act would be to change its emphasis to cooperation with other non-Communist nations on strategic controls. The specific mentioning of the Soviet Union and its bloc should be eliminated, as other countries may pose threats to our national security in the future. The President could be given more discretionary authority on ways to obtain the cooperation of other nations on strategic controls. For example, when the President determined that any nation was clearly a major threat to this country's national security, he could negotiate with other Free World countries on termination of exports clearly of military significance to that country. In other words in my judgement, the largely negative aspects and the Cold War emphasis of the Battle Act should be changed and the President should be given more discretionary authority in obtaining the cooperation of other countries.

I. The Export-Import Bank, the FCIA, and Export Financing

U.S. laws and regulations also limit trade by various discriminatory restrictions on financial transactions and credits to Eastern European countries. Of special importance are the limitations on Export-Import Bank financing. Since 1962 the Eximbank has been prohibited from financing or guaranteeing export credits unless the President finds it to be in the national interest to do so. However, in the extension of the program in 1968, the Eximbank was prohibited from financing exports to any nation which by direct government action furnishes assistance to North Vietnam. This in effect prohibits the Bank's assistance to all COMECON countries. Thus, under present conditions medium term and long term credit which are vital for exports of capital goods are practically not available in this country for exports to Eastern European nations.

All in all, the Export-Import Bank has been relatively inactive in financing East-West trade. During fiscal years 1963 to 1967, it extended about 66 million dollars of guarantees to finance exports to COMECON countries. This represents about .6% of total Eximbank authorizations during this period. The Bank has made somewhat larger credit guarantees amounting to about 76 million dollars

during the same period to Yugoslavia, which is not considered as part of the European Communist bloc.

The other organization in the credit field, the Foreign Credit Insurance Association, more commonly called the FCIA, a group of private insurance companies working in conjunction with Eximbank to assure short and medium term export credits did not cover any exports to COMECON countries until 1967. It was established as a "quasi governmental agency" to cover credits on exports to "responsible buyers in . . . free world markets," and did not make its facilities available to Eastern European countries. The FCIA has made only limited medium term credit insurance available to Yugoslavia, amounting to 1.3 million dollars through August 31, 1967.

In January 1967 the Eximbank extended its FCIA insurance and regular commercial bank guarantee program to permit coverage of short term and medium term credits on U.S. exports to Bulgaria, Czechoslovakia, Hungary, Poland and Rumania. On the basis of these changes two commercial bank guarantees aggregating some $628,000 have been authorized for export of earth-moving equipment to Bulgaria and less than $500 worth of goods have been shipped to Czechoslovakia under short term insurance.

Since mid-1967 the Eximbank has refrained from extending significant credits or guarantees to Eastern European countries while Congress was debating the role that the Bank should play in connection with East-West trade. This debate has taken place in connection with legislation extending the life of the Bank and increasing its lending authority. Congress has now approved this legislation extending the Bank's life to June 30, 1973 and increasing its lending authority from 9 to 13.5 billion dollars. In passing this law, Congress has adopted two amendments to the Export-Import Bank Act which will affect the Bank's authority to extend credits and guarantees to the Eastern European countries.

One amendment prohibits the Eximbank from financing or guaranteeing export credits to these countries unless the President finds it to be in the national interest to do so. In most respects, this provision is virtually the same as that which has been included for the past five years in the Bank's annual appropriation Act. However, the provision is broader in one significant respect than that which has been contained in previous legislation. The Eximbank is now prohibited, except with the approval of the President, from engaging in an export transaction to a third country when the goods will be used in one of the Communist countries. Furthermore, the provision now is a permanent part of the Export-Import Bank Act.

This second amendment provides that the Bank shall not finance or guarantee transactions with any country (a) which is engaged in armed conflict with the United States or (b) which "furnishes by direct governmental action (not including charactering, licensing or sales by non-wholly-owned business enterprises) goods, supplies, military assistance, or advisers to a nation" with whom the United States is in armed conflict, specifically North Vietnam. Different from the first amendment, this second provision is an outright prohibition on the Bank's authority and does not permit the Bank to act with a Presidental waiver on a finding of national interest. According to officials of the Bank this provision would completely curtail the Eximbank's participation in East-West trade. Since the amendment also provides that the Eximbank may not engage in a transaction with a third country for the benefit of a country which is assisting North Vietnam, the highly-publicized Fiat case is prohibited under the provision. This will mean that the Eximbank will not be able to extend credit to Italy to finance machine tool purchases from the United States for the automobile plant that Fiat is building in the Soviet Union.

Thus, the effect of the two amendments on the Export-Import Bank's activities in regard to COMECON countries is as follows. Assuming the governments of those countries are furnishing and continue to furnish goods and supplies to North Vietnam, the Eximbank is prohibited from financing or guaranteeing exports to or for use in those countries so long as the Vietnam war lasts. In other words, at the present neither Eximbank nor the FCIA is involved in financing East-West trade. When the war ends, the Eximbank may again finance or guarantee transactions with those countries when the President finds it to be in the national interest to do so.

From discussing with commerical banks active in the international fields, I find that they will not extend medium and longer term credits without FCIA insurance or Eximbank guarantees. On the other hand, Western European countries make their excellent export credit programs available for exports to

Eastern European countries. American businessmen, therefore, are placed at a serious disadvantage in exporting machinery, tools and equipment to COMECON countries. Some international executives believe that the unavailability of credit is a more serious barrier to the development of East-West trade than the export controls.

To permit development of trade with Eastern Europe, the United States needs to amend the Export-Import Bank Act passed in 1968 to make credit guarantees and insurance available to these countries. First, the amendment that prohibits Eximbank participation in financing to countries assisting North Vietnam should be repealed. Second, it would be advisable to eliminate the other amendment that prohibits Eximbank from financing exports or guaranteeing export credits unless the President finds it in the national interest to do so. Instead, it would be preferable, in my judgment, to permit the Bank and FCIA to make their services available to Eastern European countries, except where the President finds it to be against the national interest.

J. The Johnson Act and Credits

The Johnson Act of 1934 which prohibits certain private loans and financial transactions with countries in default in payment of their debts to the United States, has been applied to the Soviet Union and other Eastern European countries, except Bulgaria. These countries are in default especially in World War I debts. The Soviet Union for example is deemed to be in default because it owes over 600 million dollars in principal and interest for loans to the Czarist government during World War I and it has failed to settle the Lend-Lease Account from World War II. However, the Johnson Act is not applied to allied nations such as France because they are members of the International Monetary Fund and the International Bank for Reconstruction and Development.

While the application of the Johnson Act may be legally correct, it is questionable on other grounds and seems to be another manifestation of the Cold War. The original intent of the law was to protect American citizens from buying worthless or dubious foreign securities. Thus, the legislation has been applied far beyond its original intent.

For a considerable time, the Johnson Act was applied in such a way that financial institutions felt that anything beyond short term export credits to Communist countries might be illegal, but this is no longer the case. The Attorney General has recently ruled that the Johnson Act does not prohibit extension of credit "within the range of those commonly encountered in commercial sales of comparable character." According to international bankers consulted, the latest interpretation of the Act is such that medium term and longer term export credit is possible to Eastern European countries as long as it is the normal procedure in the sale of particular goods.

Nevertheless, even with the change in interpretation, the Johnson Act can be a Cold War harassment. In the future it could limit some types of financial transactions as East-West trade develops. Since I believe that it does not serve a useful purpose, I believe that it should be repealed.

K. Other Brief Recommendations on East-West Trade Policy

1. The administration of strategic controls should be substantially simplified and streamlined. The present organization and procedures to make decisions are too cumbersome and require the unanimous approval of the inter-governmental committees. For example, the administrators of strategic controls did not remove items such as breakfast cereals, sugar, margarine and shortening, mayonnaise, lubricating oils, detergents, rubber heels, fine paper, cotton yarn, rayon, blankets, carpets and rugs and dishwashing machines from the positive list requiring validated licenses until October 1966. As one change, the rule requiring unanimity should be abandoned. Decisions should be made by a simple majority or a two-thirds vote of the governmental representatives.

2. Even under the present law, it appears that many products can be removed from the positive list requiring validated licenses. A comprehensive re-evaluation should be made of all products subject to validated license control in order to remove the ones of questionable or marginal importance. Goods that are readily available in other Western countries should especially be removed from this control. Along this line, a permanent advisory group of knowledgeable businessmen and private technical and other experts should be appointed to advise the Office of Export Control on simplifying procedures and easing strategic controls.

3. The regulations on technical data and licensing agreements should be re-evaluated and eased to eliminate unreasonable and burdensome requirements on U.S. companies with overseas operations.

4. Other special interest legislation such as that prohibiting importation of seven specific types of fur from the Soviet Union should be repealed.

5. The United States should strive to develop a code of principles involving non-discrimination with respect to trade between market and state trading nations in conjunction with GATT and the U.N. Economic Commission for Europe. It should also encourage Eastern European countries to become members of GATT, the International Monetary Fund, and the International Bank for Reconstruction and Development. One basis for Eastern European countries to become full fledged members of GATT would be along the lines recently used in the case of Poland. However, the objective should be to encourage all Eastern European countries to move toward multilateral trade, convertibility of currencies and world market pricing.

6. Finally, all the maze of laws, regulations, administrative procedures, rulings by the Department of Justice and other governmental organizations dealing with strategic controls, most favored nations treatment, importing, financial transactions, credits, disposal of agricultural surpluses, foreign assistance, and other matters should be thoroughly re-evaluated from the standpoint of U.S. foreign policy, national security, and economic interests. The objective would be to develop a body of laws and policies more adequate to deal with the emerging trends of the future and better to serve American interests in this country and overseas. A top level action-oriented committee of knowledgeable business executives, and other private experts should be appointed to advise on the formulation of a new policy on East-West trade.

Mr. ULLMAN. Thank you.

Are there questions?

Mr. BETTS. Doctor, you mentioned the fact that the passage of the tax bill would probably have a beneficial effect on the balance of payments. As I understand it, the American consumer is saving 10 billions of dollars in excess of normal. If that is true, the tax bill would take the $10 billion in savings and put them in circulation by the Government.

How would that affect the balance-of-payments proposition?

Dr. DYMSZA. I think we projected our Government expenditures decrease, along with the tax increase, would actually hold down demand. I don't think the savings ratio is going to change that much. I don't know—as I understand it, there was an increase in real savings last year, but there has been some sign of the real savings going down and getting back into the customary rate of consumer spending. But I think the overall aspects of the tax increase, holding back consumer and other types of spending, and also placing less stress on monetary policy to hold down inflation—the combination of all these things would be helpful in stopping the rapid increase we have had in the last 2½ years.

Mr. BETTS. It just seemed to me that the tax bill would take the $10 billion that is being saved now and not being spent and give it to the Government to spend. Wouldn't that offset the benefits of this and, to that extent, would hurt the balance of payments?

Dr. DYMSZA. I don't think a tax increase would actually come out of the savings. I think some of the tax increase would come out of consumer spending, and this would have an effect, and this in turn would affect other aspects of the economy.

Mr. BETTS. It would have to affect savings to some extent, wouldn't it?

Dr. DYMSZA. I think the savings-spending rate might remain the same, and in that case we would find that part of the decrease would be a decrease in consumer spending.

Mr. BETTS. But an increase in Government spending?

Dr. DYMSZA. I am assuming that the Government spending is going to be held down.

Mr. BETTS. But the $10 billion will be spent.

My point is, part of the $10 billion is being saved now. If it were transferred to the Government, it would be spent. To that extent, we wouldn't help the balance of payments at all.

Dr. DYMSZA. I think the main impact of the tax increase would be to reduce overall demand, the forces of demand in relation to supply, and this would hold down the price increase which we will have.

Also, it would lead to a lesser reliance on monetary policy, which has very uneven effect.

For example, it has its major effect on housing and other segments of the construction industry.

Mr. ULLMAN. Any further questions?

Thank you very much, Dr. Dymsza. We appreciate very much your appearing before the committee.

Mr. Kindleberger?

We are happy to have you before the committee, Professor.

For the record, would you please identify yourself, and proceed as you see fit.

STATEMENT OF CHARLES P. KINDLEBERGER, PROFESSOR OF ECONOMICS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Mr. KINDLEBERGER. I am Charles P. Kindleberger, of Bedford Road, Lincoln, Mass., employed as a professor of economics at the Massachusetts Institute of Technology, but speaking today in a personal capacity.

Representative Charles W. Whalen, Jr., of the Third District of Ohio asked the committee to permit me to appear.

I am the author of textbooks in the field of international trade, including "International Economics," which was issued this year in its fourth edition, and "Foreign Trade and the National Economy."

Mr. ULLMAN. Would you take the microphone closer, please?

Did you mention Ohio?

Mr. KINDLEBERGER. Yes, sir. I was invited by Representative Charles Whalen to appear. My only connection with Ohio is that I have a daughter in school there.

Mr. ULLMAN. Fine. Proceed.

Mr. KINDLEBERGER. While I take exception to the Government's program in the field of the balance of payments, I support its proposals in trade, including a renewal of the President's powers to negotiate tariff reductions reciprocally under the General Agreement on Tariffs and Trade, the elimination of the American selling price as a basis for valuation or certain products, largely chemicals, in calculating ad valorem tariff duties, and the reduction on a mutual basis of nontariff barriers to trade. I urge the Congress to resist the attempts by a number of particular interests to impose new tariffs or quantitative restrictions

on a variety of products where imports have been increasing, especially steel, cheese, woolen textiles, et cetera. The reasoning behind my position may be characterized as the conventional wisdom of the international-trade economist, if you choose. While conventional, this wisdom is based upon a powerful analytical truth embodied in the law of comparative advantage, which states that with certain very limited exceptions, the country and the world as wholes are better off with freer than with more restricted trade, and that any valid social purpose which can be served by trade restriction can be accomplished more efficiently and more honestly in some other fashion.

The United States and the rest of the world have been reducing tariffs since the Reciprocal Trade Agreements Act of 1934. This is as it should be. In a world of small isolated regions, the imposition of tariffs makes some sense to protect an industry while it makes an adjustment to unexpected supplies of goods, which come in, as it were, from beyond the horizon, which a reasonable businessman may be expected to scan in looking for potential competition. Today that horizon is the world. Changes in production costs occur at home and abroad. These changes take place relatively slowly. They call for adjustment in trade patterns in order to minimize costs of producing given outputs, or to maximize yield of given inputs. When costs of transport fall to the point that Japanese steel producers can assemble iron ore, coal, and limestone from domestic and foreign sources and ship steel across oceans and lay it down cheaper than U.S. firms, it suggests either that U.S. firms have a comparative disadvantage in steelmaking and that our resources could be more advantageously employed in producing other commodities, or that U.S. producers have been slow to adopt cost-reducing innovations.

There are other complications: such as price discrimination and allegedly subsidies to capital costs. I would argue that these are not a sufficient basis for this country reversing its and the world's movement to freer trade which has been in progress for 30-plus years. Persistent price discrimination is a benefit to the consumers and a cost to the subsidizer. The notion that foreign countries can dump products in this market and then when they have driven out domestic producers, raise prices to monopoly levels, rests upon a strong assumption that there is an asymmetry in exit and entry, that is, that firms are easily pushed out of an industry by low prices but not reattracted into it by high prices. This assumption is very dubious. Most economists who have thought long about it are not moved by the plea that trade restrictions are needed to prevent dumping or that dumping—that is, price discrimination—is deleterious. We adjust to price discrimination in our daily life without much difficulty: the Filene's basements in which distress goods are sold, discount houses, free medical services for the poor, and higher prices for first run showings of movies. It is no different in international trade.

There will doubtless be much testimony that we should put tariffs or quotas on this and that product to protect the balance of payments of the country. I do not insist that patriotism is the last refuge of a scoundrel, but as an economist, I cannot intellectually concede that a general condition be put forward as an excuse for particular measures. I object to the so-called quasi-adjustments which the Govern-

ment has undertaken in the tying provisions of U.S. aid, the interest equalization tax, its application to banks under the Gore amendment, the voluntary credit restraint program, the reduction in tourist duty-free allowances, the change in the Buy-American provisions applying to Government purchases, and the abortive taxes on travel. General conditions of excess spending or excess liquidity require macroeconomic measures in the monetary and fiscal field, affecting spending and money supplies, not particular measures restricting spending on this or that import or investment. These are partial-equilibrium measures which assume "other things equal" when these other things are in fact affected by the change undertaken. To cut down spending on particular imports will divert income to other foreign goods, building imports up again, or to domestic goods, which will aggravate the pressure on U.S. resources, raise prices still further, attracting other goods from abroad and harming exports.

My views on the balance of payments of the United States are somewhat idiosyncratic. I believe, for example, that the so-called liquidity balance or overall measure of the deficit is misleading, along with most others, and that we have been keeping our international books as though this country were a firm, when in fact it functions internationally as a bank. I disagree, for example, that we had a deficit in 1964 when the current-account balance, including remittances and pensions were plus $7.6 billion, and the so-called net-worth balance, which is the current-account balance less remittances, and U.S. Government grants and capital, amounted to plus $4 billion. This is equilibrium, or surplus, in my judgment. Today the current-account balance has slipped substantially, so that the net-worth balance is $500 million negative in 1967. The income surtax is needed to slow down the boom, halt the rise in prices, and, with continued price rises in France, correct the disequilibrium. The financial flows on top of this net-worth balance have received excessive attention.

It would be foolish to defend an extremist laissez faire position. The price system does not always produce a social optimum as, for example, in defense industries, industries with strong external economies, infant industries where economies to scale or to learning exist within the plant. But anything a tariff can do, a subsidy can do better, a subsidy on domestic production rather than a penalty on imports. A tariff is a subsidy and a tax, but there is no guarantee that the tax is effectively or equitably levied, and the subsidy is too far reaching, benefiting existing as well as marginal producers or that the subsidy would be granted if the tariff were recognized as such. There is no guarantee that it would be.

Samuelson's elementary textbook in economics talks of the fallacy of composition, where the whole is not equal to the sum of its parts but may be negative when the parts are positive. If everyone stands to see a well-hit ball at a baseball game, only the long-legged see any batter, and a great many children can't see at all. If all interests which face import competition succeed in getting the Congress to legislate higher tariffs, the United States and the world will be worse off. In the trade field, as in exceptions from the income tax, when everybody is somebody, nobody is anybody. Each one of us, no matter how sophisticated, is at heart selfish and embraces for himself principles of which most

would not apply to the body politic. Scratch even an economist deep enough and you find a merchantilist who wants to buy more than he sells; a populist who thinks that banks charge too much for credit; a racketeer who would like something for nothing; a monopolist who wants to push up the price at which he sells and push down the price at which he buys; a peasant who clings to his good earth; and a nationalist who thinks it is fine to buy from his own countrymen but wrong to spend money abroad. Each of these attitudes, if misguided, is understandable. But the duty of the Congress is to legislate in the national and—I permit myself to say—the international interest, and not to gratify the selfish instincts of its constituents. The 35 years of U.S. leadership in policies of lowering barriers to trade have been, apart from wars, highly successful for us and for the rest of the world.

Other countries have lowered tariffs and made adjustments with great benefit to themselves in expanded real income and growth. It would verge on criminal irresponsibility for this country, when it begins to feel pressure for readjustment itself, to give up on a policy so successful, so evidently necessary in the general interest, but one requiring the political courage to resist special pleading of important local interests in an election year.

That is my statement, sir.

Mr. ULLMAN. Are there any questions? Mr. Betts.

Mr. BETTS. Doctor, I understand that the theme of your presentation is that you deplore trade restrictions on the part of the United States. Isn't it true that most of the other nations of the world have trade restrictions?

Mr. KINDLEBERGER. I deplore trade restrictions on the part of everyone, sir, and I would have thought that in the General Agreement on Tariffs and Trade we are succeeding in getting these tariffs lowered; yes.

I am not simply singling out the United States by any means.

Mr. BETTS. You are putting every country in that?

Mr. KINDLEBERGER. Yes. And as I understand, the measures which are up for discussion are U.S. measures.

I think I would go one step further, if I may and say I think it is fair to say that the United States has exercised leadership in this matter, beginning with the act of 1934, going on to the Atlantic Charter, the lend-lease agreement, the Marshall plan, and so forth. And I would hope the United States would not start a movement which is retrogressive, leading away from that direction.

Mr. BETTS. If I understand it, the whole concept of the Common Market is protection.

Mr. KINDLEBERGER. If you will permit me to express a different view, I would say that the idea of the Common Market, which was supported by the United States, the Congress in the preamble to the Economic Cooperation Act of 1948, and by Paul Hoffman in his speech of October 31, 1949, this was, then, to expand trade within, and on the whole without damage to the trade without.

There is a great deal of evidence to suggest that Common Market trade with the outside world has in fact expanded rather than been restricted.

You are quite right when you say that there is a trade creating effect and a trade diverted effect, and the United States is threatened with trade diversion. But the facts of trade returns suggest, clearly, I think, that trade diversion has not been as serious as one might have expected.

Mr. BETTS. But the Common Market still continues to be protective.

Mr. KINDLEBERGER. No, I don't think that is a fair reading. In the first place, at the time of the Rome treaty, which was the Dillon round of unilateral reductions, and then the Kennedy round, and then there is their further reduction undertaken on the basis of the U.S. need in the field of the balance of payments to accelerate these reductions.

If you take the tariffs as a whole of the Common Market, the average tariffs have been reduced sharply.

Mr. BETTS. I was thinking of other restrictions outside of tariffs.

Mr. KINDLEBERGER. They haven't been added to. They have been reduced; perhaps not as rapidly as we would like.

Mr. BETTS. The United States hasn't added to it.

Mr. KINDLEBERGER. No; but on the other hand, the United States didn't negotiate a reduction in ASP, for example, a nontariff barrier.

I don't think it is fair to say, either, that we haven't put up any restrictions. We have cut the tourist exception from $500 to—what is it—$10 now? That is in two successive steps. We have tied foreign aid. We have put barriers in the interests and equalization tax in the field of finance. We have put restrictions on capital movements. We have, after reducing the buy-American percentage from 25 percent to 10 percent, we now put it back up to 50 percent.

Mr. BETTS. In most of those instances, we——

Mr. KINDLEBERGER. I don't see that.

Mr. BETTS. What sort of first exemptions did other countries have?

Mr. KINDLEBERGER. We have reversed a policy of our own. Other countries have tourist exemptions. Britain, in particular, for balance-of-payments reasons, has increased it. But there have been no increases in the tourist exemptions——

Mr. BETTS. As I understand it, some of these restrictions of other countries have been added since the Kennedy round.

Mr. KINDLEBERGER. In Britain, that is true.

Mr. BETTS. You are not going to tell me that Japan is a free trader.

Mr. KINDLEBERGER. No. I would say that Japan is moving in that direction, with difficulty and some hesitation.

We should create pressure for them to do more.

Mr. BETTS. Free trade is a very nebulous word.

Mr. KINDLEBERGER. I accept that.

Mr. BETTS. They come up with a border tax to protect themselves. And we are told here time after time, witness after witness, that if we do something, there is going to be, maybe not in the same field, but certainly retaliation on the part of our friends.

I think we had better have some understanding that since we have been, as some witnesses called it, in World War II our trade policy was based more on aid than trade, whether that is right or wrong, we are at a point today where we are in trouble.

I would like to ask this question, because I think it relates to the whole basic concept: What happens as far as we are concerned as a country, and the free world is concerned if, as the Chairman of the

Federal Reserve Board indicated, this is one of the choices we might be faced with very shortly, is not being able, or at least putting a moratorium on redeeming the Euro-dollars for gold? What happens to the world trade pattern?

Mr. KINDLEBERGER. I have testified at some length on that in the Senate, and I would be pleased to go on at some length.

I said my views are idiosyncratic. That is, they are not widely shared. On the other hand, I happen to think the dollar is more important than gold. The dollar is the productive capacity of the country, and not the gold we happen to have. And I think the United States is a bank and not a firm, that the U.S. dollars owned by foreign countries are basically wanted by them as money, and that the world is supported by dollar balances of foreign countries and not by the gold supplies.

This is, as I say—well, it doesn't follow exactly the line that many countries take.

I believe, in other words, in the dollar reserve standard, and that the world is on a dollar standard, not on a gold standard, and that there is no necessity to redeem them in gold. We could pay out gold continuously, but it would survive as long as we keep our productive capacity. We could redeem those, if need be, in goods and services, which are produced cheaply and effectively.

What we must do, I think, is control inflation, at least down to the level at which inflation is received in Europe, and I would like to get a gain on that, but I am not at all as worried as Chairman Martin is on convertibility.

Mr. BATTIN. I wish I could share your views, but our trading partners would rather have our gold than our dollars.

Mr. KINDLEBERGER. Not all. If you would let me suggest this, I think the history of recent weeks has made it perfectly clear that the French need dollars more than they need gold.

Mr. BATTIN. Yes. Based on the two-price gold system developed here a couple of months ago, what would happen if the United States didn't pass a tax bill and reduce spending, as we have been encouraged to do by our trading partners?

Mr. KINDLEBERGER. I think that is an important thing.

Mr. BATTIN. I do, too.

Mr. KINDLEBERGER. I said in my statement that I think the balance of payments in accounts is what is called the "network balance," that is, the current balance surplus, less Government grants. But the notion we had of the balance-of-payments deficit in 1964, I won't accept that.

We had an export surplus of $8.4 billion, and if you deduct Government grants and loans, and so forth, which should be regarded as assets, it was $4 billion. So the notion that the dollar was weak in 1964 is to my mind simply a myth, cultivated by many, but I don't agree.

Mr. BATTIN. May I ask you one other question? You are suggesting a comparison of steel, that the Japanese could produce it and ship it here at a lesser price than we can. And perhaps the answer is we should go out of steel production and utilize our resources to greater advantage.

Would this recommendation not have to be based on the assumption that we live in a utopian world that one section of the world

wasn't after the other section and we didn't need this industry for our own national security?

Mr. KINDLEBERGER. I didn't mention the defense exception. I would go further and say that Japan, with 44 million tons of capacity projected, will never take over the U.S. market with 110 million tons of capacity. It strikes me as being absurd. They have steel requirements which are very substantial.

No, the United States is going out of certain lines of steelmaking, I think—wire and a few things like that. We can't compete in it anymore. And I don't see, apart from the defense argument, which seems to me that standby capacity would be adequate for—I can't see that that is a terrible thing.

Mr. CONABLE. Did I understand you to say that the GATT countries were coming down?

Mr. KINDLEBERGER. As I understand it, the United States is making a drive to reduce on a reciprocal basis the nontariff barriers to trade.

Mr. CONABLE. Does that include border taxes?

Mr. KINDLEBERGER. I don't regard that as a nontariff barrier. I regard that as a complication——

Mr. CONABLE. Aren't most nontariff barriers complications of one sort or another?

Mr. KINDLEBERGER. Some of them are the kind of thing that they won't take any American chickens in France because they have hormones. There are taxes which are—a domestic excise tax on engine capacity which is very strongly against U.S.-type automobiles. I would refer to those rather than—put it another way.

There was a study some years ago by a committee which suggested that we very quickly get adjusted to the notion of evaluating taxes which are applied to imports and removed for exports, because all that really is an adjustment of exchange rate.

Mr. CONABLE. I think if you gave the American industries a choice between the tariff barriers and the nontariff barriers, they would choose the tariff barriers, because they know what they are up against there. I have a feeling the nontariff barriers are very considerable in Europe.

Mr. KINDLEBERGER. This suggests our exports to Europe are very small, and they are very substantial. If you are speaking of the increase in them, you are probably right. We have to face administrative complications.

Mr. CONABLE. Do you have any suggestion as to how we can take leadership in reducing nontariff barriers other than taking off ASP?

Mr. KINDLEBERGER. There is a great difficulty in the nontariff barrier field. It is very hard to get a list, put it that way, of the ones who are really hurt and which would be—well, as far as ASP is concerned, I have very little sympathy with industries who opposed changing any tariff protection, that is, to alter the rates so as to compensate for the changing in valuation.

The industry lobbied very strongly against it then on the ground it didn't want to reveal its rates of protection.

Mr. CONABLE. The only reason I mentioned ASP is that you mentioned we should take leadership in reducing nontariff barriers, and I don't know anything else we can do with respect to nontariff barriers.

Mr. KINDLEBERGER. I am not a deep student of the details, but I think the thing to do is make some lists. I know the Americans object to the horsepower tax, and the quotas on automobiles in Japan. Those are being worked on right now, but with what success I am not clear.

Mr. CONABLE. We can't bid public contracts in most European countries.

Mr. KINDLEBERGER. We have just lately let foreigners bid on contracts here, and we still have the 50-percent "Buy-American" provision.

But I would agree that the world is getting smaller all the time, and we are trading more and more in each other's backyards.

Mr. CONABLE. We are a large factor in international trade, and I agree we should take leadership——

Mr. KINDLEBERGER. I would hope at least the way the committee and the House and the Congress would legislate on the program that it has before it now—that would strike me as being a useful way of proceeding.

Mr. BATTIN. I have before me a monthly economic letter of the First National City Bank of New York, wherein they have reported a study of these costs, the increases. And, strangely enough, most of that increase, the cost-of-living increase, is in personal services, and not in consumer items, which, in fact, in the case of refrigerators, TV sets and things of that nature, there has actually been a decrease in price.

So maybe there would have to be another factor at work. Maybe it is just the affluence of our society.

Mr. KINDLEBERGER. You are entirely right. From 1960 to 1966, for example, the wholesale price index was—there was a study, and the cost of living went up from 100 to 112. That increase in the cost-of-living index didn't bring in many imports, because it was in things like schooling and medical care and entertainment, and so on, and these are items which are not susceptible to international trade.

Our current account of the balance of payments has improved from a very weak position in 1959 to a very strong position, as I tried to indicate, in 1964, which was sustained in 1966. It is only the inflation since 1966 which has been hurting the current account. We have had the deterioration of $4 billion in that time.

I quite agree with you.

Mr. ULLMAN. Dr. Kindleberger, on behalf of the committee, I would like to thank you for your contribution.

Mr. FULTON (presiding). The next witness is Dr. Bender.

We would like to welcome you for your appearance before the committee and ask you to identify yourself and your association for the record, please.

STATEMENT OF MARK G. BENDER, PH. D., ASSISTANT PROFESSOR OF ECONOMICS, HOLY CROSS COLLEGE, WORCESTER, MASS.

Dr. BENDER. Mr. Chairman and members of the committee, I am Mark G. Bender, assistant professor of economics at Holy Cross College.

My purpose in appearing before the committee is purely informative in nature. My written statement is brief and therefore I shall read it directly.

In the current decade few areas of economic concern have received as wide-spread public attention and private analysis as that accorded to the international status of the U.S. economy. An often cited indicator of the alleged deterioration of this country's international economic viability is the declining share of U.S. exports in world markets and, conversely, the increasing volume of U.S. imports.

The desirability of a vigorous exporting economy cannot be questioned. However, the conventional outlook concerning the importance of imports, one must concede, is much less positive.

It seems, then appropriate at this time to reassess the impact of imports as economic goods, that is, as goods or services which are relatively scarce and, most importantly, satisfy wants.

The study briefly described herein represents a recent attempt to evaluate the economic impact of imports on the Greater Hartford, Connecticut region.

THE GREATER HARTFORD STUDY

The sources of data included slightly more than 150 randomly selected firms of which 70 percent were manufacturers—167 firms actually were manufacturers—the remainder being insurance, financial, retail, wholesale, et cetera. The firms studied accounted for approximately $3 billion in sales and 80 percent of all manufacturing employment in the region. The study, therefore, covered 66-some-odd thousand of 80,000 employees in manufacture and then $3 billion in sales.

Responding firms were placed in one or more of the following categories:

1. Users of imported goods/services. This would be users of primary metals, perhaps users of imported machinery, users of imported electronic equipment, et cetera.

The second category: providers of goods/services complementary to imports. These would be people who import an item for the purpose of distribution, import an item for the purpose of assembly or for some other complementary reason.

Three: competitors with imported goods or services, these being firms which would be directly competing with imports in national markets.

Firms not involved with imports in any of the above categories were classified as "import immune."

Of the 152 firms sampled 86 were involved with imports, 66 were immune. However, it should be noted that the involved firms were by far the most important, accounting for 87 percent of the sample's employment and 76.5 percent of the sample's sales volume.

REASONS FOR IMPORT IMMUNITY

The most frequently cited reasons for import immunity were:

Item	*Percent of the 66 immune firms*
1. Customized service/product	49
2. Production of unique product	27
3. Technological advantage	18
4. Government/military product	14

These results suggest that import immune firms in the Hartford area are generally "job-shops" or specialized machine and engineering firms. For the most part no "volume producers" in the area considered themselves import immune. Meaning again they neither used for nor provided complementary services to nor competed against imported items.

The economic impact of imports can be gotten from the tables on the following two pages.

An indication of the economic impact of imports on the Greater Hartford region can be derived from the following data: This again involves the 86 involved firms.

Item	*Percent of the 86 involved firms*
1. Impact of imports on employment:	
No effect	70
Positive	24
Negative	6

Balance (+) of imports on employment in the area 6 percent.

	Percent
2. Impact of imports on prices:	
No effect	55
Negative	42
Positive	13

Imports had decreased.

	Percent
3. Impact of imports on profits:	
Positive	45
No effect	37
Negative	18

The balance is therefore positive in the Greater Hartford region.

	Percent
4. Impact of imports on future income:	
Positive	55
No effect	30
Negative	15

Again the balance of imports on future income is positive in the area.

	Percent
5. Impact of imports on research/development:	
No effect	66
Positive	34
Negative	0

Again in this case the balance is positive.

	Percent
6. Probable future import involvement. Meaning how many expected involvement in the future:	
Greater	64
No change	26
Lesser	10

Balance (+).

The greater Hartford area expects greater import involvement.

	Percent
7. Do imports promote quality?	
Yes	60
No	40
8. Do imports promote specialization?	
No	66
Yes	34
9. Do imports promote diversification?	
No	66
Yes	34

In no particular case was the net impact of imports found to be adverse to the well-being of the Greater Hartford economy.

Let me emphasize that the people responsible for the detail were the pragmatic hardheaded businessmen of the Hartford economy.

Perhaps of especial interest to the committee would be the following fact: While a majority of import involved firms expected greater involvement in the future (64 percent) a majority of firms would not alter research/development plans (66 percent), would not seek new specializations (66 percent) and would not seek diversification (66 percent). To some degree this supports the "unwillingness to compete" doctrine which is currently gaining stature.

CONCLUSIONS WHICH I HAVE DRAWN FROM THE STUDY

The evidence of the Greater Hartford study would appear to support the following conclusions:

1. That tariffs and quotas or other import restrictions to be kept to a minimum;
2. That the need, indeed desirability, of some structural changes in the U.S. economy be recognized but also ameliorated through a meaningful "adjustment assistance" program; and
3. that appropriate measures be taken to increase U.S. exports; certainly that foreign trade restrictions be reduced.

Just as a final concluding statement I want to say that the significance of the study is the fact that it takes an entire region, the core of the core city and 29 surrounding towns. It does a cross section study on all types of firms in any way involved with imports. It does not isolate itself to specific cases of firms especially vulnerable or especially involved in a profitable manner with imports. It will give you therefore some idea of a macroeconomic effect.

Mr. Chairman, this completes my statement.

Mr. FULTON. Thank you, sir.

Are there any questions?

There being no questions, thank you for your appearance and your contribution, sir.

Dr. BENDER. Thank you.

Mr. FULTON. Our next witness is Dr. Guenther.

Doctor, we welcome you before the committee and ask you if you will identify yourself for the record and proceed as you see fit.

STATEMENT OF DR. HARRY P. GUENTHER, DEAN, SCHOOL OF BUSINESS ADMINISTRATION, GEORGETOWN UNIVERSITY

Dr. GUENTHER. Mr. Chairman and members of the committee, I am Harry Guenther, dean of the School of Business Administration at Georgetown University.

I greatly appreciate the opportunity to appear here today. Because the statement is somewhat long. With your permission I will merely submit the full statement for the record and summarize it for you.

Mr. FULTON. That may be done.

Dr. GUENTHER. The U.S. trade and balance-of-payments policies for the past 6 to 8 years have assumed a vast commercial superiority in

international trade, a superiority which I would assert does not, in fact, exist.

The error of this assumption, I think, can be noted both by looking at trade statistics over the past 3 years in terms of trend of reported merchandise trade surplus but become even more important if we adjust that reported data to exclude Government-financed exports which do not fairly represent commercial ability, on which basis the 1967 apparent surplus of three and a half billion dollars would be reduced to about $200 million dollars.

It is further evident if we were to take a further step of adjusting our imports to a CIF basis as our trading partners do in which case that apparent surplus in 1967 would disappear completely.

These assumptions about our commercial superiority led to unsound bargaining and results in the Kennedy round of tariff negotiations.

I think this has been somewhat clouded by the fact that the special negotiator's office has constantly referred to equality of concession. Yet that equality of concession is based upon the precentage reduction in tariffs, weighted by the volume of 1964 trade affected.

Obviously the real impact of tariff reductions is on what happens to trade subsequently, not the volume of trade to which they are already applied.

In addition, tariffs are not the sole criteria if we are talking about overall trade negotiations and concessions. If we view what happened against the background of the simultaneous border tax adjustments there is serious reason, I think, to have reservations about the nature of the bargain that was struck.

There are areas in which, as indicated in the printed testimony, the total barriers to U.S. exports to other countries are now higher than they were before the Kennedy round of tariff negotiations because of these border tax adjustments.

Furthermore, I think we can question the validity of the equality of bargain struck when we view this against the activity in the area of industry rationalization abroad.

Foreign governments, particularly in Western Europe and Japan, are vigorously pursuing a program of industry rationalization to encourage mergers to increase size, to improve the ability of their firm to compete internationally.

This is not to suggest that we should immediately reverse the policies that the Justice Department in this country has been following, but we should at least bargain with industry structure clearly in mind. That is what is being done abroad.

Lastly, it is extremely difficult to view the 50–20 agreement reached in the area of chemicals as one of equality of concession.

Again this is particularly incredible in view of what was being done at the time in the area of border tax harmonization.

In connection with ASP, I think it is worth pointing out that the system is more condemned than it perhaps deserves. I am not a strong advocate of retention of ASP as a system of tariff evaluation, but it does not do all the terrible things that frequently it is claimed result from the use of that system.

It is clearly different from the system used by other countries, but it does not represent a variable levy of the sort which insulates producers from competition abroad.

Furthermore, the conversion that was effected in connection with rates subject to the ASP method of evaluation because of the mixture of competitive and noncompetitive products in the basket categories contains error. For these reasons I think the United States should not accept the separate package.

I think it was agreed to under false assumptions, as were some of the other aspects of the Kennedy round. I think we should know fully what the balance-of-payments and balance-of-trade impact of this elimination would be, and thus far there have been no thorough studies cited by the negotiators office of these effects and we should not assume, despite the frequent mention that this is an opportunity for leadership, that by eliminating ASP we are suddenly going to bring on a flood of reciprocal actions in our behalf from the Europeans.

We did get some things in the way of concessions from them on condition of eliminating ASP—the other 30 percent that we should have gotten in chemicals.

We also got some concessions in the area of automobile road taxes. I have yet to hear any strong statement from the automobile people as to the great value of that particular concession.

In terms of the European willingness to cooperate with us in some of these regards, it might be noted that I believe we have been discussing border taxes with them since 1964.

Yet during the past 2 years they have succeeded in raising border taxes despite the fact that we were talking about reducing restrictions to trade.

These mistakes that I think were made during the Kennedy round were doubly unfortunate because they were made at the very time when the administration was asserting that, in order to solve our balance-of-payments difficulties, we must look for an expanded merchandise trade surplus.

I do not happen to believe that we can eliminate our balance-of-payments deficit simply through the trade account but, in view of all the difficulties we face, it is quite clear that we must take every initiative at our disposal to increase our merchandise trade surplus if we are to eliminate the overall balance-of-payments deficit.

I think we need to take very firm action in the area of tax policy to supplement our balance-of-payments efforts, particularly insofar as it can assist in trade.

Here I am not merely talking about domestic fiscal efforts for price control at home but also the application of the border tax adjustment system to those indirect taxes we already have, to a thorough examination of the extent to which direct versus indirect taxes are passed either forward or backward, to activities that can be pursued in the area of taxation of Export Trade Corporations, and Western Hemisphere Trade Corporations.

I think further that the direct foreign investment controls which are inimical to our export interests as well as our longrun balance-of-payments interests should be removed through a position incentive system.

I think the United States has got to use all available leverage including at this time the refusal to eliminate ASP and those avenues under the GATT particularly in connection with articles VI, XII, and XXIII to bring inequities to prompt negotiation and those inequities surely do exist.

If the President's authority is to be extended, and I think it should be, then we must certainly be careful that we do not repeat the errors that were made in the Kennedy round.

Lastly, I would strongly assert that we should not resort to quotas. I think they are an admission of defeat. They invite retaliation and do little more than to preserve existing inefficiencies.

(Dr. Guenther's prepared statement follows:)

STATEMENT OF DR. HARRY P. GUENTHER, DEAN, SCHOOL OF BUSINESS ADMINISTRATION, GEORGETOWN UNIVERSITY

Mr. Chairman, I am Dr. Harry P. Guenther, Associate Professor of Finance and Dean of the School of Business Administration at Georgetown University. During the past few years both as academician and consultant I have devoted my research efforts to this country's balance of payments problems including its trade policy. In these endeavors I have been fortunate not only to have been encouraged by my university in independent research, but also to have participated in a number of balance of payments studies including those conducted by the management consultant firm of Klein and Saks for the American Bankers Association, the Pharmaceutical Manufacturers Association and the Synthetic Organic Chemical Manufacturers Association, and by the International Economic Policy Association. In addition, my consulting work has given me opportunity for considerable travel and discussion abroad.

By virtue of this experience I am hopeful that I have gained some insight which may prove useful to this Committee in its trade policy deliberations and am deeply appreciative of the opportunity you have afforded me to appear today. The following testimony seeks to draw on this experience in assessing recent trade negotiations, in considering the pending issue of the elimination of American Selling Price, and in briefly sketching some of the elements which seem to me necessary in balance of payments and trade policies that will foster maximum trade benefits to the United States.

I. THE ASSUMPTION OF U.S. COMMERCIAL SUPERIORITY

The United States has for at least thirty years based its trade policy on the assumption of a pervasive superiority in commercial intercourse with the rest of the world. This same belief prevailed during the Kennedy Round tariff negotiations and needs careful examination as to validity before proceeding with consideration of the so-called separate package or with subsequent negotiations on non-tariff barriers. This matter is of legitimate concern, because even in an environment of equivalent and reciprocal bargaining, it flavors opinions on both sides regarding what kind of concessions a nation can afford to make.

A. U.S. merchandise trade—The basic data

Regularly published U.S. Department of Commerce data show a large and consistent U.S. trade surplus over the last ten years as shown below, ranging from $1.0 billion to $6.7 billion. This would indeed tend to support assumptions of our international commercial skills as does the growth in exports from $16 billion to over $30 billion.

TABLE I.—U.S. MERCHANDISE TRADE, 1958-67

[In billions of dollars]

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Exports	16.3	16.3	19.5	20.0	20.6	22.1	25.3	26.2	29.2	30.5
Imports	13.0	15.3	14.7	14.5	16.2	17.0	18.6	21.5	25.5	27.0
Balance	3.3	1.0	4.8	5.5	4.4	5.1	6.7	4.7	3.7	3.5

Source: U.S. Department of Commerce, "Survey of Current Business," various issues.

However, it is troublesome to note that, even using these conventionally reported figures, the trade surplus has declined in absolute terms in each of the last three years and in 1967 was the smallest amount since 1959. In per-

centage terms, the merchandise trade balance has declined from 26.5 percent of exports in 1964 to 11.6 percent in 1967. There has been a further deterioration during the first quarter of 1968, and in March the merchandise trade account was reported in deficit.

B. Government financed exports

The merchandise trade data referred to above is not incorrect. It is, however, improper data to use in assessing our international commercial strength for purposes of determining national posture in trade bargaining. That portion of our exports which are Government financed do not fairly represent our commercial ability in world trade. Deducting Government financed exports from the U.S. merchandise trade surplus makes an appreciable difference in our apparent trade strength as shown in the comparison in Table II below.

TABLE II.—COMPARISON OF U.S. MERCHANDISE TRADE DATA, 1958–67

[In billions of dollars]

	1960	1961	1962	1963	1964	1965	1966	1967
Balance on merchandise trade	4.8	5.5	4.4	5.1	6.7	4.7	3.7	3.5
Balance excluding Government-financed exports	2.8	3.2	2.1	2.4	3.9	2.0	.6	.2

Source: Ibid.

The adjustments for Government financed exports are especially important in the case of the United States, for a large portion of such exports result from tied aid and so do not represent a commercial choice by the recipient.

In addition to those exports now reported in the memorandum item as Government financed, data should ideally be further adjusted (for purposes of assessing trading strength) for certain agricultural exports. That portion of agricultural products raised only by virtue of a Government subsidy which in turn permits sales at lower prices in international markets should not be considered in appraising our international commercial ability.

C. Basis of import valuation

Without seeking to argue the relative merits of F.O.B. versus C.I.F. import valuation, the fact is that while the U.S. values imports on an F.O.B. basis, other nations use C.I.F. While use of F.O.B. rather than C.I.F. has no impact on our overall balance of payments, it does result in a more favorable reporting of the merchandise trade position than the system used by other countries. The Department of Commerce has computed a factor of 8.9% to adjust imports from an F.O.B. to C.I.F. basis. Using that factor for adjustment would raise 1967 merchandise imports to $29.3 billion leaving a surplus of only $1.1 billion, an amount dwarfed by the size of the adjustment required to net out Government financed exports. Those two adjustments together would yield a commercial trade deficit of $2.2 billion in 1967.

D. U.S. share of world trade

An analysis of the U.S. share of world trade also raises questions about the assumption of our commercial superiority. U.S. exports related to world exports declined from 18.2 percent in 1960 to 16.8 percent in 1966.[1] While this clearly shows the important role the United States continues to play in world trade, it does not support the assumption of a broad and growing commercial superiority.

E. The choice of a base year

The base year chosen for data to be used in the Kennedy Round negotiations was 1964. There is ample evidence that this might well have been a major factor in U.S. assumptions of commercial superiority. As was shown above, the merchandise surplus reached a peak in 1964. It is necessary to go back to the immediate post-World War II period, when the rest of the world's economic base stood in ruins to find surpluses of this size. On the basis of that data, and presumably trends based on data through 1964, negotiations were carried out. The U.S. position has since abruptly changed. Based upon 1965, 1966, and 1967 trade

[1] I.M.F., *International Monetary Statistics*. Preliminary data suggest some improvement in 1967 over 1966.

data it is clear that the choice of 1964 as a base was unfortunate. The negotiators will claim, with some justification,[2] that this is indulging in hindsight. Yet in choosing 1964 as their base year the negotiators surely displayed less than 20–20 hindsight, for it was apparent as soon as the figures were available that 1964 was an unusual year. Exports rose in 1964 by $3.2 billion, a feat equalled or exceeded since World War II only in 1947, 1951, and 1960, none of which were ordinary years. The merchandise surplus itself grew by $1.6 billion in 1964, a feat equalled or exceeded on only four other post-World War II occasions, and the size of the surplus, $6.7 was second only to 1947. These facts should have raised questions about the validity of 1964 as a basis for negotiating. The data for 1965, 1966, and 1967 merely confirm that a grievous error was made in ignoring that evidence.

II. IS ASSUMPTION OF EQUALITY OF CONCESSIONS VALID?

It has been strongly asserted by the Office of the Special Representative and others in the Administration that the Kennedy Round resulted in equal concessions.[3] It is also generally assumed in the process of negotiating reciprocal tariff agreements, that the bargaining will result in offsetting (from a trade balance viewpoint) gains and losses. Finally, the Kennedy Round negotiations were carried out under the notion that where equal *tariff* concessions were made there resulted an equality of trade barrier reduction. It is important that these arguments and assumptions be examined.

A. The Measurement of Concessions

The economically desirable way to measure a tariff concession would be to measure its impact on future trade in the item under consideration. This in turn requires a precise and thorough demand analysis and estimates of pricing reactions by domestic producers. This is difficult, but not impossible. At the very least it might be assumed that at the heart of any estimate would be a careful assessment of elasticity of demand and trend of imports. This does not appear to have been the case in the recent Kennedy Round. Taking 1964 as a base (a decision commented upon earlier), concessions were measured in terms of duty collected in 1964 on the item in question. Thus a tariff cut was a large concession if a large amount of duty was collected on imports of that item in 1964. In addition to data on amount of tariff collected, an elasticity factor on a scale from 1 to 5 was included and trend "was taken into account," but primary stress was apparently placed on the 1964 tariff data. That this is the case is not only based on inquiries at the Special Negotiators Office, but also on the tendency of Administration spokesman to apply the overall tariff cut to volume of trade in speaking of comparability of concessions.[4] From this the argument proceeds to assert that a large cut on a smaller volume of trade is equivalent to a small cut on a larger volume of trade.

The approach described above leads to certain non sequiters. For example, take the case of an item which is not imported into the United States at all due to high tariffs. As no tariff was collected and there is no trend in imports, a tariff concession on this item would carry little weight. However, a tariff cut could be all that is needed for a foreign producer to take advantage of lower costs and export to the United States. Clearly, as difficult as it may be to assess, what is of importance is not what import (and export) levels were but what they will be after the concessions. The focus of impact of a tariff reduction is not on goods already imported but on those which did *not* previously enter.

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[2] "Some" because 1965 and 1966 data were available prior to the conclusion of the Kennedy Round.

[3] For example: "In overall trade terms and taking both industry and agriculture, the tariff cuts made by the U.S. are in balance with those of other industrialized countries." *The Future of U.S. Foreign Trade Policy,* Hearing before the Subcommittee on Foreign Economic Policy of the Joint Economic Committee, Vol. 1, p. 12.

"* * * that we have a reciprocal deal and that we did not give more than we received. . . ." *Ibid.,* p. 17.

[4] "In terms of 1966 trade the United States is giving tariff cuts on about $7½ to $8 billion of industrial and agricultural imports and is obtaining tariff concessions on about the same amount of U.S. exports." *Ibid.,* p. 12.

"These commitments will result in a weighted average duty reduction of 43 percent in United States chemical tariffs * * * [on] $325 million of dutiable imports from the EEC, U.K., Japan, and Switzerland. The combined tariff reduction made by these four countries averages 26 percent on nearly $900 million of U.S. chemical exports * * *," *Ibid.,* p. 13.

B. Criteria

The issue of equality of concession will only be solved over time as subsequent trade data becomes available. But equality is not the sole criterion of one's bargaining success. The bargaining did not take place in a vacuum and its success must be weighed not in terms of probable results in a static world but in view of the changing trade environment.

1. *Industrial rationalization abroad*

U.S. negotiators were apparently not given any administration direction with regard to specific industry bargaining as this country has not formulated industry policy for balance of payments or other purposes. This lack of industry policy has not been the case in various countries abroad. Europe, traditionally less fearful of inter-corporate cooperation than the U.S., has seen aggressive government action to foster merger to improve international competitive ability. In the United Kingdom, the government has recently encouraged a joint venture among three large electronics concerns, with the Government holding a 10.5 percent equity interest. The result will be the world's largest non-U.S. computer firm which, while unlikely to enter the North American market, is surely aiming at a larger share of the United Kingdom and Continental markets. Auto manufacturing and banking have also seen recent major mergers in the United Kingdom. British efforts in such endeavors are backed by a government organization, the Industrial Reorganization Corporation.

In France, the government took an active hand in promoting the merger activity which reduced the number of electrical appliance makers from forty to three (two of which are discussing a merger) over a period of two years. The German government is encouraging integration of Ruhr coal producers and Italy offers tax benefits to encourage mergers. Such efforts are now even crossing national boundaries with the French and Germans removing impediments to mergers between firms in the two countries. Below is reproduced a table from the Wall Street Journal listing major 1967 mergers in Europe.

Japan too has been active on this front. Most important recently, in view of certain U.S. import fears, has been the announcement that Yawata and Fuji Steel will merge early next year resulting in the world's second largest steel firm, trailing only U.S. Steel.

These actions, of course, change the relative position of U.S. firms without regard to tariff cuts and come at a time when U.S. Government policy grows ever more skeptical of mergers.

Major 1967 European mergers

	Annual sales in millions
STEEL	
August Thyssen Hutte AG and Huttenwerke AG (Germany)	$2,000
Den Wendel et Cie, Union Siderurgicue Lorraine and Societe Mossellane de Siderurgie	796
ELECTRICAL EQUIPMENT	
General Electric Co. and Associated Electrical Industries Ltd. (Britain)	1,080
English Electric Co. and Elliott Automation Co. (Britain)	989
Brown, Boveri & Cie. and Sulzer Freres (Switzerland)	undisclosed
AUTOS	
British Motor Holdings Ltd. and Leyland Motor Corp. (Britain)	1,920
BANKS	
Barclays Bank Ltd., Lloyds Bank Ltd. and Martins Bank Ltd. (Britain)	11,700 (deposits)
Westminster Bank Ltd. and National Provincial Bank Ltd. (Britain)	7,200 (deposits)
DRUGS	
Glaxo Ltd. and British Drug Houses Ltd. (Britain)	240
Sandox AG and Dr. A. Wander AG (Switzerland)	420
SHIPPING	
Kieler Howaldtswerke AG, Howaldtswerke AG and Deutschewerft AG (Germany)	200

Major 1967 European mergers—Continued

	Annual sales in millions
TEXTILES	
Courtaulds Ltd. and Clutsom & Kemp (Britain)	878
MEAT PACKING	
Jean Caby, Fleury Michon, Jr. Morley et Fils and Oiida (France)	260
INSURANCE	
General Accident Fire & Life Assurance Co. and Yorkshire Insurance Co. (Britain)	428 (premium income)
SHOE MANUFACTURERS	
Robinson Schoenfabrieken N.V. and N.V. Swift Schoenfabrieken (Holland)	8,400

Source: The Wall Street Journal, Feb. 21.

2. *Border tax harmonization*

Even if it can be safely assumed that there was an equality in tariff concessions under the Kennedy Round, full analysis also requires attention to the dynamics of non-tariff barriers. While discussion of most non-tariff barriers was ruled out of negotiations early in the Kennedy Round deliberations, the EEC proceeded to reach agreement among themselves on the harmonization of border taxes. While there has been considerable disagreement over the differential incidence of direct versus indirect taxes and whether border taxes are discriminatory against trading partners not employing such, there can be no doubt that where border tax harmonization has raised the tax applied to imports and the rebate to exporters, the position of other nations' exports to the area is relatively worse. Thus, while it may be a useful working assumption that trade negotiations result in offsetting gains and losses from a balance of payments viewpoint, it has been unwise to assume that equal lowering of tariffs meant an equal movement toward free trade.

The border tax mechanism, which allows charges to be levied on imports equivalent to domestic indirect taxes (and the tax is applied to CIF value and the tariff to landed value including the tax) can present a significant barrier to U.S. exports in addition to tariff. Under these circumstances, tariff reduction or complete removal are of less *relative* significance to U.S. exports than to EEC exports.

TABLE III.—*U.S. phenol sales to Germany*

	Cents per pound
Selling price, country of origin	9.5
Before Kennedy round:	
Duty: 4 percent, export price, c.i.f. basis (10.9 cents)	.4
Freight and insurance	1.4
Border tax (4 percent on landed value, 11.3 cents)	.4
Total costs	2.2
Landed cost of entry	11.7
After Kennedy round (20 percent):	
Duty: 3.2 percent, export price, c.i.f. basis (10.9 cents)	.3
Freight and insurance	1.4
Border tax (4 percent on landed value, 11.2 cents)	.4
Total costs	2.1
Landed cost of entry	11.6
After separate package (50 percent):	
Duty: 2 percent, export price, c.i.f. basis (10.9 cents)	.2
Freight and insurance	1.4
Border tax (4 percent on landed value, 11.1 cents)	.4
Total costs	2.0
Landed cost of entry	11.5

TABLE III.—*U.S. phenol sales to Germany*—Continued

	Cents per pound
After Kennedy round and border tax harmonization:	
Duty: 3.2 percent, export price, c.i.f. basis (10.9 cents)	.3
Freight and insurance	1.4
Border tax (11 percent on landed value, 11.2 cents)	1.2
Total costs	2.9
Landed cost of entry	12.4
After separate package and border tax harmonization:	
Duty: 2 percent, export price, c.i.f. basis (10.9 cents)	.2
Freight and insurance	1.4
Border tax (11 percent on landed value, 11.1 cents)	1.2
Total costs	2.8
Landed cost of entry	12.3

TABLE IV.—*German phenol sales to the United States*

	Cents per pound
Selling price, country of origin	7.0
Before Kennedy round:	
Duty: 3 cents per pound plus 17 percent ad valorem (ASP, 9.5 cents)	4.6
Freight and insurance	1.4
Subtotal	6.0
Less rebate	.3
Total costs	5.7
Landed cost of entry	12.7
After Kennedy round:	
Duty: 1½ cents per pound plus 8½ percent ad valorem (ASP, 9.5 cents)	2.3
Freight and insurance	1.4
Subtotal	3.7
Less rebate	.3
Total costs	3.4
Landed cost of entry	10.4
After separate package:	
Duty: 1½ cents per pound plus 11½ percent ad valorem (country of origin selling price, 7 cents)	2.3
Freight and insurance	1.4
Subtotal	3.7
Less rebate	.3
Total costs	3.4
Landed cost of entry	10.4
After Kennedy round and border tax harmonization:	
Duty: 1½ cents per pound plus 8½ percent ad valorem (ASP, 9.5 cents)	2.3
Freight and insurance	1.4
Subtotal	3.7
Less rebate (11 percent)	.8
Total costs	2.9
Landed cost of entry	9.9