THE SOLUTION IS THE MILLS BILL

Mr. Chairman, your bill, H.R. 11578, and the similar bills introduced by some 200 of your colleagues, provide the industrywide remedy the textile import situation demands. Your bill gives to the President the tools needed to do the job: the negotiating tools that have been lacking.

H.R. 11578 authorizes and directs the President to negotiate agreements providing orderly trade in textile articles, including quantitative limitations on U.S. imports. The agreements would limit imports by categories of textile articles and would be based on a representative period of at least one calendar year. The historical period and each country's share of imports would be determined by the President, considering the interests of developing nations and such other factors as he deems appropriate.

When a significant portion of U.S. textile imports are covered by agreements, the President would limit imports from any country not participating in such agreements on the same basis as the agreements. Changes in import levels would be geared to a category basis so as to provide flexibility in the most favorable markets.

If, but only if, within 6 months of the bill's enactment, international agreements providing for orderly trade have not been concluded, textile imports would be automatically limited to their average annual quantity for the period 1961–66. This provision is the exporting country's incentive to negotiate promptly and in good faith.

The bill recognizes existing cotton textile bilaterals and restraints. It provides for a substantial volume of imports and permits their future growth as the U.S. market grows.

RETALIATION IS A TWO-WAY STREET

U.S. textile import policies have been, and under H.R. 11578 would remain, so generous relative to those of other GATT members that "retaliation" and "compensation" could be avoided by vigorous presentation of the American case to our trading partners. In view of the subsidies being paid on textile exports to the United States, the nontariff trade barriers raised against U.S. textile exports around the world, and the bilateral agreements between foreign nations which force additional exports onto the U.S. market, the real questions, Mr. Chairman, are these: Why does not the U.S. Government invoke our right of retaliation? Why does not free trade mean fair trade?

In any event, there is a distinction, in practice, between violating the rules of the GATT and invoking its provisions with respect to retaliation and compensation. Retaliation and compensation enter when the value of the concessions granted a party has been nullified or impaired by the illegal action taken. That is to say, the GATT has not authorized retaliation or called for compensation unless the action in question has had an adverse effect on the trade of the complaining country, since, as a practical matter, it would be impossible to assess the amount of compensation or retaliation in the absence of trade effects.

Thus, while the imposition of quotas might be construed as a violation of article XI of the GATT, this by itself would not necessarily