One reason for the increase in fourth LTA year over the third LTA year was the obvious demand, especially for yarns, because of the increased military needs of Vietnam, which carried over into the first part of the fifth LTA year.

Moreover, imports from such developed countries as Canada and Belgium were permitted entry without being subjected to "restraints". American importers began to ship in cotton textiles from such "developed" LTA members knowing that such imports were not subject to the "restraints" imposed on the "developing" countries and Japan.

While the LTA successfully limited exports by foreign governments, it could not prevent American businessmen-importers from moving to new, uncontrolled areas and developing textile industries in these countries, almost always in a lower-cost region than their previous supplies.

There are those who believe that because of the LTA textile producing countries proliferated more rapidly than would have otherwise been the case.

Regardless of its record, however, we urge that as the most effective nontariff impediment to the trade in textiles, the LTA and its supplementary bilateral agreements be eliminated, and that cotton textiles be considered on the same basis as other textiles for individual, selective consideration if specific imports create unfair economic difficulties for directly competitive United States goods.

Abolish buy American restriction

At a time when the United States textile industry has been experiencing some difficulties in providing the armed services with its textile requirements and when the cost of local procurement are so high, it would seem that the national interest and the national security both would call for overseas procurement of needed military textiles from our allies nearer the area of hostilities.

But, the prohibitions of the Buy American Act severely restrict the ability of the quartermaster corps to purchase military textiles from such Asian allies as Japan, South Korea, Taiwan, Philippines, and Thailand, not to mention New Zealand and Australia, for use in Southeast Asia, particularly in Vietnam.

In the light of current circumstances, and for the future promotion of the textile trade, this Buy American nontariff barrier should be abolished. At the very least, as the Subcommittee on Economy in Government of the Joint Economic Committee recommended in its April 23, 1968, report on "Economy in Government Procurement and Property Management", "The Bureau of the Budget should issue a uniform policy for the guidance of Federal agencies and contractors regarding the use of price differentials under the 'Buy American' Act."

While the Subcommittee's responsibilities were not in the area of foreign trade policy, it is noteworthy that the Subcommittee devoted a special section to this subject of the Buy American statute, which, though from the viewpoint of government expenditures, also affects trade policy as well.

"The Subcommittee has expressed its concern during the past several years over the inconsistent application of the 'Buy American' Act. The Act provides that materials for public use shall be purchased from U.S. manufacturers, except where it is determined that their purchase would be inconsistent with the public interest or their cost would be unreasonable. Inconsistency in its application continues.

"The problem is that while most agencies utilize a six percent differential, and an additional six percent to 'small business' or suppliers in an area of substantial unemployment, the DOD (Department of Defense) since 1962 has utilized a 50 percent differential. Thus in the purchase of the same item two agencies of the Federal Government may utilize widely separated differentials. The Bureau of the Budget has conceded that the situation is a 'mess', but it has not acted to rectify it. The economic implications of these policies are antagonistic. The six percent differential permits greater purchase of foreign goods and thus operates against a favorable balance of payments. The 50 percent differential protects domestic manufacturers but increases the costs of procurements and therefore militates against a balanced budget.

"From the evidence, it appears that the DOD's 50 percent differential raises a protective wall so high that American bidders may be encouraged to take advantage of it. It may also be self-defeating in the long run by pricing the protected items out of foreign markets and thus injuring our balance of payments. Further, the DOD's practice is placing a significant burden on the already extremely high level of defense procurement."