in by any industrial nation in modern times. Further, this policy makes a shambles of GATT, particularly as it relates to agriculture. The ability of the United States to secure modification of the non-tariff barriers of the EEC and to harmonize the policies of the EEC with those of GATT can have a major effect on the ability of some segments of American agriculture to expand foreign trade.

The California wine and brandy industry applauds the proposals of the Administration, accompanying the recently submitted Trade Expansion Act of 1968, to seek in future international negotiations removal of these non-tariff barriers blocking United States products from competing for world markets.

IV. MEASURES DIRECTED AT MAINTAINING OUR FAVORABLE BALANCE OF TRADE AND OTHER MATTERS RELATED TO THE BALANCE OF TRADE IN THE CONTEXT OF OUR BALANCE OF PAYMENTS PROBLEMS

Foreign wine and brandy move freely in the United States, subject only to the payment of very low U.S. excise taxes and import duties, with the result that the California wine industry, and indeed the American wine industry, is slowly losing its historical share of the American market. In 1958 foreign wines had 5.9% of the American market and in 1967 approximately 9.6%. Foreign wine sales have doubled in the last ten years while the sale of American wine has increased but 31%.

The overall figures and comparisons tell but part of the story. Table wine sales, using 1958 to 1959 as a base, in 1967 by France are 266.9 of base period; by Spain 758.8, and by Portugal 1003.4. Sales of American table wine have increased by approximately 60% for the same period.

Dessert wine sales, same base: Spain, 1967 over base period, 180.3; Italy, 1967 over base period, 210.6; France, 1967 over base period, 508.3. Sales of American dessert wines have *decreased* by approximately 10% for the same period.

Studies of the Giannini Foundation of Agricultural Economics of the University of California have established that the market for wine and brandy both in the United States and elsewhere is a closed or rigid market, that it does not react in a normal manner to the supply-demand-price equation. Under these circumstances, the continuing increases in importation of foreign wines and brandy into the United States market obviously results in a displacement of United States wines and brandy to the grave economic detriment of the California and United States wine and brandy industry.

The ability of American producers of wine and brandy to develop or expand foreign trade, with its concomitant effect on our balance of payments problems, must be based on the maintenance of a sound healthy domesitc operation. Any import factor which consistently and abnormally contributes adversely to such an operation should be corrected as a matter of national policy. Present authorities are inadequate in many instances to bring about corrections or relief in an expeditious manner.

We do not advocate, in any case, a course of action which would reduce any quantity of imports below current levels. We do desire and believe reasonable, however, as expressed under (I) of this statement, the establishment of some type of limitation on the future movement into the United States of low quality products.

RECOMMENDATIONS

In summary, we advocate a freer movement of American wine in international trade and a change in the foreign trade policy of the United States as such policy relates to wine. We do not advocate a "protectionist" attitude, and our proposals are based on a free and equitable world trade policy. In the interest of equitable treatment between the countries and to the end that a reasonable reciprocity be effected in the movement of wines of foreign countries and those of the United States, Wine Institute urges the adoption of a national policy that would accomplish the following:

1. The removal or modification of all non-tariff barriers in other countries consisting of—

(*a*) Import licensing, exchange controls, special labeling requirements, special levies, special taxes and other restrictions.

(*b*) Quotas or quota systems which do not provide automatically a quota for American wines. (Specifically, we urge adoption of a national policy