

in 1967 as it exported to that country. Thus, the immediate dollar benefits from duty savings under the proposed pact, with respect to primary aluminum, would be about 90 times as large for the Canadian industry as it would be for the United States industry, modified only by drawback payments.

The next largest area of aluminum trade between the two countries, sheet and plate, presents a much more complex picture. The wholly-owned United States fabricating subsidiary of Canada's largest producer is reportedly by far the largest United States exporter of sheet and plate to Canada. Consequently, it would be the major immediate beneficiary of the duty-free flow of aluminum sheet and plate from the United States to Canada. Again, using 1967 trade data, the savings in duty on United States sheet and plate exports to Canada would be over \$3,800,000 and the duty savings on Canadian shipments here would be about \$213,600.

From the viewpoint of government treasuries, the duty losses (before drawback adjustments) would compare as follows:

	United States	Canada
On primary imports.....	\$8, 548, 800	\$94, 800
On sheet and plate imports.....	213, 600	3, 800, 000
Total.....	8, 762, 400	3, 894, 800

From the viewpoint of industry, the immediate benefits from the proposed pact, through savings in duty, would be much more one-sided. Canada's largest primary producer supplies the bulk of the Canadian primary shipped to the United States and so would realize most of the immediate duty savings on those shipments. Its United States fabricating subsidiary apparently would also be the major beneficiary from the duty savings on the United States side on the shipments of sheet and plate to Canada. Thus, by far the largest share of these savings in duty would go, directly or indirectly, to Canada's largest aluminum company.

PACT COULD DISTORT TRADE FOR UNITED STATES

Under the proposed pact, international trade in aluminum could be grossly distorted. By virtue of its world-wide operations and sales, Canada's largest producer could in effect become a duty-free Canadian conduit for aluminum exports to United States markets which would normally come from Europe and Asia on a dutiable basis. The Canadian company could deliver its products to United States markets on behalf of European and Asian suppliers, in exchange for their deliveries to other markets on behalf of the Canadian company. The possibilities of this type of substitution of Canadian duty-free shipments for overseas dutiable shipments to the United States market is indicated by the magnitude of the Canadian's company's sales outside of Canada and the United States. In 1967 they totaled 642,700 tons of aluminum products. All in all, the proposed pact offers much more promise of increased profits for Canada's largest aluminum company than it does for promoting healthy international trade in aluminum products between the United States and the rest of the world, including Canada.

PACT SIMPLY CREATES ANOTHER PREFERENTIAL TRADING AREA

The proposed aluminum customs union is also contrary to the United States position in the Kennedy Round Negotiations, because it would implement the concept that the European and North American markets should be mutually exclusive, each supplying its own requirements and each becoming independent of the other. The Aluminum Association's position is that major industrial markets throughout the world should be equally accessible, that it should be as easy for United States firms to export to these countries as it is for foreign firms to export to the United States; this means that the much higher European aluminum tariffs should be reduced to United States levels, thus liberalizing trade throughout the European and North American market area. The objective is to promote healthy international trade, not economic isolation through a regional arrangement as this proposal would do.

Experience with other trade blocs among industrial nations, notably the European Common Market, demonstrates that they increase the discriminatory effect of tariff differences between members and non-members of the trade bloc.