ticularly U.S. dollars. The prices for such goods do not necessarily reflect costs of production which is what U.S. manufacturers must use as a basis for their pricing and, therefore, products of Communist countries should not be permitted to be offered for sale in the U.S. market on most-favored-nation treatment basis because to do so creates unfair competition.

4. The United States should change its valuation system to a landed basis from an f.o.b. basis. An argument may be made for either a landed basis or for an f.o.b. basis but inasmuch as practically all of the principal trading partners of the United States use a landed basis for import statistical purposes and also for import valuation, the United States should do likewise. Actually, U.S. imports are undervalued by approximately 15 percent because the United States uses an f.o.b. basis in contrast to a landed basis which most other countries use. We overvalue our exports because they include the value of our foreign aid shipments and subsidized agricultural commodities dumped abroad at distressed prices. When allowance is made for the undervaluation of our imports and the overvaluation of our exports, the United States actually does have an unfavorable balance in trade which is at the root of our problem.

5. A border tax should be imposed on all commodities except those which are not produced in the United States. The United States needs the revenue very much. How much better off we would be with the current fiscal situation if we were not losing the revenue we are now losing from Kennedy round tariff reductions. The President has stated in his letter to the Ways and Means Committee that "restriction begets restriction." Yes, it does. The European countries practically all have border taxes. They should have realized that restriction begets restriction when they imposed them, but with their not having done so sensibly the United States is faced with no choice but also to impose a border tax.

6. Lastly, and this is our most important recommendation, there should be enactment of H.R. 16936 or comparable legislation by Representative Sydney Herlong. In the situation in which the United States finds itself today, we believe this is the only reasonable solution. Admittedly, we think it would have been better, had the United States not unwisely reduced its import duties on a broad scale creating our current problems. It would have been better had our import duties been established at levels so as to bring about fair competition between imports and the products of our most efficient manufacturers. We contend that import duties should be only sufficient to compensate for the higher prices for raw materials which our manufacturers must pay and the higher prices which our manufacturers must pay for labor both due to policies of our Federal Government. However, because our duties have been cut away under GATT, we believe that the quota approach is the only logical approach. The Herlong bill would permit foreign manufacturers to share in the U.S. market in the case of any given item and either increase or decrease their sales in the U.S. market as the total U.S. market increases or decreases. It may be referred to as an orderly marketing approach. Under the provisions of the bill, confectionery imports would have to more than double over their current level before the confectionery industry could obtain