

That same year, an Executive order put part of this recommendation into effect, but not all. It established the principle that American bids to Government agencies which exceeded foreign bids by more than 6 percent were to be deemed unreasonable, and that foreign bids should be accepted in such cases. But the Executive order did not require that this policy relate only to the bidders from other nations that treat American bidders on an equal basis with their own nationals.

While U.S. Government procurement policy is not the responsibility of this committee, we believe it should be of interest to this committee when Government procurement has a significant impact on our balance of foreign trade and our balance of payments.

The dramatic increase in orders for electrical equipment placed abroad last year, especially in the light of the one-sided results of the Kennedy round with respect to the heavy electrical equipment industry, lead us to some observations concerning future trade policy.

Ambassador Roth and other important officials have said that from now on tariffs will become relatively unimportant as a deterrent to international trade. We believe this is correct, and that nontariff barriers which now and in the future obstruct the flow of trade are the most significant matters for the attention of Congress and our trade policy officials.

We believe that linear, or across-the-board reduction of tariffs or other trade barriers will not be appropriate for the future. The volume of trade in given product lines or industries should no longer be the principal criterion for swapping concessions respecting other, unrelated products. From now on, in our judgment, more specific and informed attention must be given to the economics of any industry whose trade is affected by concessions, and to the impact of such concessions on the affected industry.

The industry we are discussing is a good example. Electricity is electricity wherever it is used. There are substantial similarities in the machinery that generates it and transmits it to locations where it does its work. While there are differences in designs and efficiencies, British generators can produce electricity in the United States or in France, and American equipment could serve British or Italian needs. Technical reciprocity in electrical equipment can be universal. But the economics are far from universal unless trade barriers or lack of barriers are at least reciprocal.

Electrical generation and transmission equipment is fundamental to maintenance and improvement of living standards throughout the world. The markets for these products in the United States and other industrialized countries are of substantial magnitude. Because of the importance of this equipment, both in terms of foreign trade and human comfort and convenience, and in view of the unusual governmental character of potential foreign buyers of these products, we believe it is essential that the U.S. Government utilize every available tool to eliminate promptly those discriminatory procurement practices which close major foreign markets to our electrical equipment manufacturers. An adjustment of U.S. Government procurement policies could well be part of such an effort.

If this committee and the Congress decide to enact a renewal of the trade policies and provisions set forth in the Trade Expansion Act of