

decisions. Unless the definition of "injury" under the Act were broadened to include certain kinds of dump pricing—from protected home markets, for example—as injurious (per se or presumptively) by reason of their effect on domestic price levels and share of market, the dual pricing strategies of foreign exporters of heavy electrical equipment cannot be disciplined under the Act by a healthy or relatively still healthy U.S. industry.

Countervailing duties provide an effective way to discipline export subsidies. Used sparingly in the past, they have recently been applied in a few instances involving both industrial and agricultural products. We suggest it is now time for an in-depth analysis of the more subtle forms of foreign government assistance to exporters to see if they are not in fact an improper bounty or grant under the statute. Thus, for example, restrictive government procurement practices which exclude U.S. competition, assure protected home markets, and thereby permit dual pricing—high at home, low into the U.S.—could well be held to constitute an export subsidy. So, perhaps, could government-financed research and development for high technology equipment going into export. Absent legislative direction to this effect, the Treasury Department probably and understandably would be reluctant to extend the reach of their authority to cases such as these.

Finally, Section 252 of the Trade Expansion Act, which appears to give the Executive broad authority to move against foreign protectionism and restrictive trade practices, has yet to be used. Admittedly, this is relatively new legislation. And, as a practical matter, it should be regarded and applied as a complementary part of overall trade policy, so as not to impair the outcome of international negotiations. But international negotiations should not replace Section 252 or render it inoperative. We would therefore urge that the Congress give more explicit legislative direction to the Executive in the purpose of Section 252 and specify the sorts of restrictive trade practices it was intended to protect against.

In conclusion, we would suggest two other steps which the Congress might consider to bring international competition into closer balance:

First, further study should be given to the idea that the U.S. adopt, in substitution for all or a part of the corporation income tax, a value-added tax which would have the trade effect of encouraging exports (by tax rebates) and imposing modest equalization charges on imports. The Committee for Economic Development has advanced this idea, and we believe it has sufficient merit to warrant serious consideration in the Congress. While it is preferable that there be international agreement that border taxes are not trade-neutral in their effect, with consequent revision of the GATT rules as to their application, nevertheless it is realistic for the U.S. to consider the alternative of adopting for ourselves, at least on a limited basis, the European indirect tax system.

Second, U.S. procurement policy could be changed to take into account the fact that certain foreign government markets are foreclosed from U.S. competition. In our brief to the TIC we suggested that U.S. procurement agencies could require certification by foreign bidders that they are not bidding in the U.S. at prices lower than they bid equivalent equipment in their own home markets. This suggestion is the obverse of a recommendation of the 1954 Report of the Randall Commission on Foreign Economic Policy. The Randall Commission recommended that where other nations treat U.S. bidders "on an equal basis with their own nationals" on government procurements, the Buy American preference should not be applied against suppliers of those nations bidding in the U.S. market. Equally valid, it seems to us, would be a U.S. requirement that where other nations do not permit U.S. suppliers to bid in their government markets, then at least some approximately equivalent deterrent should be applied against the suppliers of those nations. Such requirement might well be the means for creating two-way streets.

ATTACHMENT

BRIEF OF GENERAL ELECTRIC COMPANY, NEW YORK, N.Y., BEFORE THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, TRADE INFORMATION COMMITTEE, WASHINGTON, D.C., DOCKET No. 67-4

Some Non-Tariff Barriers to World Trade

INTRODUCTION

Present and future U.S. trade policy must be based on recognition of the fact that, in terms of expanding free world trade, the tariff-cutting phase of international trade relations has run its course, and a new phase has begun—the pains-