Statement of Texaco, Inc.

ROLE OF THE UNITED STATES IN THE WORLD ECONOMY

During the past thirty years the volume of international trade has more than tripled. The United States has played an important role in creating the conditions that have made this expansion possible. It has followed policies that have helped to reduce trade barriers and to promote the growth of foreign trade on a non-discriminatory basis. Under its leadership, other nations have been encouraged to move in the same direction. The benefits to the United States have been substantial. Its volume of exports has quadrupled and its economy has been strengthened. Furthermore, our trade policies have supported the national security interests of the United States as well as those of its free world allies. In view of these benefits, Texaco endorses the extension of the Trade Expansion Act and continuation of efforts to reduce foreign trade barriers to expansion of U.S. exports.

The House Ways and Means Committee is holding its hearings on tariffs and trade at a time when the United States is facing its greatest challenge of the post-war period. Confidence in the dollar has steadily been eroded as the result of continuing large deficits in the country's balance of payments. This has led to recurring crises which threaten to undermine the very basis of the international monetary system. The United States has responded to these developments by adopting direct controls on foreign investment that can only be regarded as shortsighted and expedient. The history of the post-war period clearly shows that direct controls have never solved any country's balance of payments problem. Instead, they narrow the opportunities for further expansion of trade and investment, serve to invite retaliation from foreign countries, are a serious handicap to American business in maintaining its competitive position abroad and in carrying out foreign concession obligations, and, if continued, will reseult in irrevocable loss of potential investments by American-owned companies to foreign firms.

As a major internationad trader with over 60 years of operating experience abroad, Texaco is keenly aware of the dominant role and influence that this country exercises in the free world economy. It is, therefore, urgent that the United States re-examine its position or risk a return to more restrictive trade practices elsewhere in the world as well as further damage to its own balance of payments.

MEASURES TO IMPROVE THE BALANCE OF PAYMENTS

We are aware that the House Ways and Means Committee is considering only certain aspects that bear on the balance of payments' problem. Proposals to improve the commodity trade balance are important. The causes of the balance of payments' deficit, however, are rooted in a broader economic context that has to be considered if the deficit is to be substantially reduced. And the deficit must be reduced since we cannot allow it to continue at the rate of recent years without further undermining international confidence in the dollar.

In a statement submitted to the Trade Information Committee of the Office of the Special Representative for Trade Negotiations, Texaco reviewed the overall U.S. balance of payments' problem and recommended several measures to improve the deficit. A copy of this statement is attached. It is worthwhile to reiterate our major recommendations since we firmly believe they provide the only way to improve our international payments position.

(1) The first essential is the restoration of domestic price stability as there is a direct connection between inflation at home and the balance of payments' deficit. Our trade balance, which the House Ways and Means Committee is now considering, has steadily declined as the result of the accelerating inflation that has been fueled by the substantial federal budget deficits of the past few years. The most effective way of restraining inflation is to cut Government non-defense expenditures as this will have more of an immediate impact in reducing consumption than a rise in income taxes.

(2) The increase in Government spending and lending abroad in the last few years is a big factor in the balance of payments' deficit. It is imperative that the Government re-examine its commitments abroad and reduce them to a level consistent with our national security. Low-cost government loans to foreign countries, furthermore, may encourage them to enlarge the public sector of their economies to the detriment of U.S. exports.