TEXACO, INC.,
Washington, D.C., March 13, 1968.

TRADE INFORMATION COMMITTEE,
Washington, D.C.

GENTLEMEN: The study of U.S. foreign trade policy being undertaken by the Office of the Special Representative for Trade Negotiations is particularly timely. In view of recent restrictions imposed to improve the U.S. balance of payments, it is more urgent than ever before that the United States Government clarify its position in regard to the future of this country's foreign commercial policy.

The direction of that policy is now in doubt and has caused apprehension among American businessmen as well as foreign governments. At risk is the loss of American economic leadership abroad and a set back to the U.S. Government's efforts of more than thirty years to reduce barriers to the expansion of international trade and investment within the free world. These long-range objectives of U.S. trade policy will certainly be jeopardized unless we are careful and maintain a flexible position in dealing with the present balance of payments' problem. Direct and rigid controls may be self-defeating as they provoke other countries to adopt similar measures.

Texaco, therefore, welcomes this opportunity to present its views on future U.S. foreign trade policy. As a company whose subsidiaries have operated abroad for more than fifty years and which presently has extensive operations in almost all free world foreign areas, we are hopeful that our experience and views can be of help in the deliberations of the Trade Information Committee.

Our experience with international operations has made us keenly aware of the key position the United States holds in respect to the international economic relations of the free world. United States foreign trade is larger than that of any other single country. And United States influence on the general character of the free world's international economic policies is immense.

We believe that the policies followed by this country under the Reciprocal Trade Agreement Acts and the subsequent Trade Expansion Act have contributed substantially to reducing barriers to international trade and investment. They have encouraged other nations to move in the same direction. The strength of the domestic economy and efficient use of its resources depend upon continued expansion of international trade and investment and upon creation of a free world montetary and trading environment with a minimum of restrictions. It is, therefore, essential that the United States re-assert its traditional leadership in this field.

In the study the Trade Information Committee is now undertaking, high priority should be given to a re-examination of the controls recently imposed to improve the U.S. balance of international payments. These controls represent a serious setback for U.S. trade policy. In addition to restricting international transactions by Americans, they serve to invite retaliation from other countries. The mandatory controls upon direct investments have also raised doubts as to the ability of American companies to carry out obligations incurred as a condition of investment abroad. Already many foreign governments have expressed fears as to the effect of the measures adopted by the United States on their economies and trade, while strongly hinting at possible countermeasures. The consequences may be a return to economic nationalism and protectionism within the free world as occurred during the 1930's. The resulting damage to world trade might take decades to undo.

We do not want to minimize the problem of the balance of payments deficit. Clearly the U.S. dollar must be defended and strengthened. If these new controls could be expected to achieve this purpose, they could be tolerated for a short time despite their adverse effect on world trade. If not, there would be no economic justification for their continuation.

It is, therefore, no light task that the Trade Information Committee has undertaken. Its review and recommendations regarding the future of U.S. foreign trade policy will be awaited with great interest by foreigners as well as Americans.

Texaco is affected by all aspects of U.S. foreign trade policy and is, of course, deeply concerned about the balance of payments problem. During the period of the voluntary program to restrict overseas investments, we complied fully with the requests of the U.S. Government in the hopes our contribution would benefit the balance of payments. This program was successful, as President Johnson has acknowledged, but only because it was considered to be temporary. The mandatory program suddenly changed this prospect. We believe it is not possible to