

jeopardy. So often it happens that some individual firms, through financial, structural, geographic, or management weaknesses are less able to compete successfully with increased imports than the industry as a whole. Fairness requires that such firms be aided to adjust to the changed competitive conditions, or to adjust to other lines of production.

Seldom, however, is the competition of increased imports of such consequence as to warrant, when balanced against the overall public economic interest, the restriction of imports for the benefit of an entire industry.

Such has manifestly been true in the case of imports of hardwood plywood and other hardwood products versus domestic hardwood production. The members of the IHPA therefore feel and urge upon the Committee that the present "tough" criteria of eligibility of entire domestic industries for tariff adjustment under the escape clause be retained—that is, the "major part" and "major factor" tests—be retained, and that the President's recommended amendment of the criteria for eligibility for adjustment assistance be adopted.

*Extension of the President's powers to negotiate should not be limited to mere compensatory adjustments for tariff increases*

Section 202(a) of H.R. 17551 would extend without limitation the President's authority to negotiate further reciprocal reductions to the extent of the unused bargaining authority contained in the original act. However, that grant of authority is in fact greatly limited by the Committee's section-by-section analysis of the bill:

"In fact, the authority provided by section 201 of the bill will not be used in any major bilateral or multilateral tariff negotiation. Instead, it is intended primarily for cases where the United States finds it necessary to increase a rate of duty which is subject to a tariff concession. In such cases, the United States would offer compensatory tariff concessions to the countries affected by the rate increase, since failure to do so would probably lead to retaliatory action on the part of such countries."

One consequence of the Kennedy Round has been to preserve a relatively high rate of duty on the major import species—lauan or Philippine mahogany plywood—while reducing the duty by one-half on species which compete with lauan.

Philippine mahogany plywood is supplied principally by Japan, Taiwan, Korea, the Philippines, Malasia, and in lesser quantities by other Asian countries. The competing species, thus far developed in relatively small quantities, originate primarily from South and Central America and West Africa.

The consequence has thus been to create a discrimination against the predominant species of Oriental hardwood plywood, in favor of the producers in South-Central American and West Africa. Since virtually all suppliers of such plywood are less-developed countries, with the exception of Japan, the industry fails to see any justification for, and in fact sees a great deal of mischief from, this discrimination.

From what we can learn, this result was not primarily intended by the U.S. negotiators. The dominant supplier rule was followed in the negotiations. Japan was the only participating country, under GATT, with dominant supplier status in Lauan plywood. The Japanese representatives demanded reductions in the U.S. duty on birch, sen, and other plywoods of species indigenous to Japan, but, in their order of priorities, did not demand any reduction Lauan plywood, in consequence of which no reductions were made on Philippine mahogany plywood.

The resulting disadvantage to the Oriental countries producing Philippine mahogany is certain eventually to cause problems to U.S. policy in that area, particularly as the disadvantage becomes more acute in the course of staging of the duty reductions. Lauan plywood is no small matter in the export economies of some of the countries concerned—it is, for example, Korea's most important export to the United States. It may prove highly desirable for the United States to negotiate a separate bilateral or multilateral trade agreement in order to correct this unintended discrimination.

The limitation on the President's continuing bargaining authority imposed by the Committee's interpretation would make such a correction impossible. We earnestly hope that the Committee will review its interpretation and broaden its understanding to permit at least clean-up of Kennedy Round loose ends such as this.