

EXPORTS CATCHING UP WITH IMPORTS

I believe that the Committee may be especially interested in the effect of our industry's international business on America's balance of trade. As our foreign sales and revenues have risen, imports of pulp and paper have likewise increased and in 1967 totaled \$1.36 billion. The great bulk of these imports, some 92%, consists of newsprint and wood pulp from Canada. But the rate of increase for imports is substantially less than that for exports. In the 15 months to March 31 of this year, when the *overall* United States figures showed imports climbing faster than exports, the figures for our industry presented a marked contrast, for in the same period our direct exports increased and our imports actually decreased. This year our direct exports will certainly reach at least \$750 million and quite possibly \$800 million, an improvement of 5-10%. Imports will not increase at all and may well decline.

To appreciate fully the significance of this trend, it must be realized that of all the paper imports coming into this country, only 8% are dutiable. On all the rest no duty whatever is charged. Thus, although our government impose no tariff at all on 92% of imports in the pulp and paper category, we are steadily narrowing the export-import deficit in our industry. If the trends of recent years continue, by 1975, after our tariffs have been lowered to 4% on 8% of imports—near the vanishing point—we expect our industry's exports to be close to, or even higher than our imports.

This forecast assumes that other countries, with which we trade intensively will parallel our course. As matters stand, many of them have not yet removed import restrictions to an extent comparable to our own.

Tariffs on paper imports in certain countries—West Germany, France, Canada—are currently more than double ours. Unnecessary delays in issuing import licenses have impeded our exports in numerous instances. To overcome such inequities and barriers will obviously require hard, even tough bargaining. We hope and urge that our government will make sustained and substantial efforts to get foreign governments to reduce their import restrictions and to fulfill all their commitments under existing international agreements. Assuming a degree of success for such efforts—and success there must be—we have every reason to believe that the current excess of imports over exports in our industry will be reversed in the next decade.

BILLIONS IN FOREIGN INVESTMENT AT STAKE

In addition to export orders, our industry receives considerable sums from abroad in the form of licensing fees, royalties on patented processes, and dividends and interest on investments; and other American industries receive orders for machinery, equipment and supplies from the foreign paper plants in which our industry has invested. We have found by actual survey that in the three years 1965-66-67, for each million dollars of new investment made overseas by our industry, an average of \$3.55 million was returned to this country.

Results as favorable as these could hardly have been generated except in the favorable economic climate created by the Trade Expansion Act of 1962 and by the extensive multi-lateral lowering of tariff barriers which is now beginning as a consequence of that Act.

Further easing of present restrictions on international trade will, I have no doubt, add to our revenues from foreign investment. It is worth noting, too, that at a time when it has become urgent to reduce America's deficit in the balance of payments, this type of income is especially useful to the government. Royalties, dividends and interest are regular and substantial and represent significant credits to our side of the international payments ledger.

In the event of an adverse change in our trade relations, the negative effect would be promptly felt not only in exports, but in return on foreign investment. Since the nation's annual income from foreign investment according to the most recent figures was \$5½ billion, this is a danger that cannot be taken lightly. As I am sure this Committee realizes, a plant established in a foreign country with American capital depends heavily on the goodwill of the host government. The present American policy on tariffs and trade has helped to create an economic at-