Non-chemical "concessions"

There were three "concessions" not related to chemicals which were thrown into the "separate" package as sweeteners on the theory that, as Mary Poppins says, "A little bit of sugar helps the medicine go down". These "concessions" are hardly that at all.

First, Belgium, France and Italy agreed to "set in motion the necessary constitutional procedures in order to adjust modalities" of their automobile road taxes so as not to discriminate against high cylinder capacity automobiles. Two comments should be made.

(1) The United States has taken the position that this discrimination is illegal under the GATT; and yet we are proposing to "pay" for its elimination. Section 252(a)(2) of the Trade Expansion Act specifically prohibits our negotiators from paying compensation for the removal of such illegal barriers.

(2) In addition, it is hard to say from this language what is agreed to—if indeed the Europeans agreed to do anything. The Government witnesses have now said the President will not proclaim the separate package until the laws are passed eliminating the illegal discrimination, but that is not what the agreement says. Under the agreement, all the Europeans have to do is "set in motion" the constitutional procedures—whatever that means. In this country I guess it would mean dropping a bill in the hopper. *Second,* the U.K. agreed to reduce the Commonwealth preference on tobacco by 25%. United States tobacco sells in the U.K. on the basis of quality, not price. Even without preference the price of tobacco from the Commonwealth countries is well below the U.S. price. Our sales to the U.K. have skyrocketed as a result of the sanctions against Rhodesia—previously by far the largest Commonwealth supplier.

As long as Rhodesia is under sanction we will continue our high level of tobacco exports to the U.K., but if the sanctions are ever removed we will hardly be able to compete with Rhodesian tobacco which will sell for less than half the U.S. price even before the preference. Indeed, the Department of Agriculture testified that we would be back before sanctions—our trade could be cut in half. The U.K. would then return to buying only enough U.S. tobacco to maintain the quality demanded by the U.K. consumers. Given the large amount of U.S. tobacco the U.K. is having to import in the present "sellers'" market, any lowering of the preference is a concession to U.K. tobacco manufacturers, not a concession to the United States.

Finally, the Swiss have agreed not to restrict imports of prepared or preserved fruit which contain corn syrup. We checked with the Department of Agriculture and the National Cancer Association and were informed that although Swiss law does not specifically allow corn syrup to be used in canned fruits, we have been exporting canned fruit with corn syrup to Switzerland for years without incident—over $2 million worth last year alone.

Thus, what the Swiss are offering is hardly a "concession." On the contrary, if it is anything, it is a rather unpleasant threat. Are the Swiss now saying they will stop imports of fruit containing corn syrup from the U.S. unless we agree to the separate package? Is such a threat a "concession" which justifies an unreciprocal deal?

Separate Package Chemical "Concessions" are Unreciprocal

The Government has stressed that we would obtain a 30% reduction in EEC and U.K. chemical tariffs if the "separate package" is approved. The United States has of course already more than paid for this 30% reduction with its 50% Kennedy Round reduction.

However, after the Kennedy Round deal was made we went to the industry and put to them the following question:

> Is the 30% reduction in European chemical tariffs worth the abolition of ASP and the further duty reductions in excess of 50% which would be required under the "separate package"?

We asked them to face this issue on the assumption that the 50%–20% deal was a *fait accompli,* whether they liked it or not. Facing this issue, the industry studied the "separate package" carefully and came up with an answer.

The answer was clear, the answer was unequivocal. The answer was an emphatic no!

The reason is simple. Because of our inherent cost disadvantages, a 30% reduction by foreign nations would not generate as much new export trade for the United States as our further duty reductions would provide for our foreign