move the disadvantages to United States trade if our balance of trade and balance of payments positions is to be improved.

We were pleased to see the President recognize the urgency of this problem when he said on January 1 that:

> "We must now look beyond the great success of the Kennedy Round to the problems of nontariff barriers that pose a continued threat to the growth of world trade and to our competitive position.
>
> "*American commerce is at a disadvantage because of the tax systems of some of our trading partners.* Some nations give *across the-board tax rebates on exports* which leave their ports and impose *special border tax charges* on our goods entering their country.
>
> "International rules govern these special taxes under the General Agreement on Tariffs and Trade. *These rules must be adjusted to expand international trade further.*
>
> "In keeping with the principles of cooperation and consultation on common problems, I have initiated discussions at a high level with our friends abroad on these critical matters—particullarly those nations with balance of payments surpluses.
>
> "These discussions will examine proposals for *prompt cooperative* action among all parties *to minimize the disadvantages to our trade* which arise from differences among national tax systems.
>
> "*We are also preparing legislative measures in this area whose scope and nature will depend upon the outcome of these consultations.*" [Italics supplied.]

Since 1963 we have been negotiating with our trading partners on this border tax issue. Five years went by and nothing was done.

On January 1, 1968, the problem had become so serious, the President called for urgent action and a speedy solution to the problem. Over five months have passed since the President issued that call.

High level consultations and the prospect of legislation by the United States have not resulted in any "prompt cooperative action" by our principal trading partners. Witnesses at this hearing have forecast that negotiations may last years. Meanwhile, our trading partners are persisting in raising their border taxes and export rebates and thereby further increasing the disadvantages to our trade, at a time when the United States balance of trade can ill afford to be laboring under such disadvantages.

The only offer of any assistance which we have received since the President's call is an offer by a number of our principal trading partners to accelerate by one year their Kennedy Round reductions. But this offer was subject to the proviso that the United States impose no border taxes, import surcharges or quotas, and that Congress approve the "separate package" agreement.

In an attempt to keep us from following through on this border tax issue, our trading partners have offered us a mere sop. Indeed, even that sop is contingent upon the Congress doing their bidding with respect to this American Selling Price issue.

Passing for the moment the clear attempt to dictate to the Congress, what does this mean in practical terms and why do we call it a sop. The Common Market, in reviewing this problem, said that approximately 60% of United States exports to the Common Market would be affected by acceleration and estimated that the acceleration would increase United States exports to Europe by approximately $80 million. This acceleration would amount to an average of about a 1% tariff reduction on about 60% of U.S. exports to Europe.

Accepting the Common Market's assumption that this 1% reduction on 60% of our trade would generate $80 million in increased U.S. exports to the EEC in the coming year, then how much do border tax increases of 7% on our trade decrease our exports to Europe?

Despite the Committee's interest, the Administration's proposals for removing these disadvantages to United States trade have not been forthcoming. We believe, as the President so rightfully pointed out, that the GATT rules must be revised to remove the substantial disadvantages to our trade caused by the border tax-export rebate mechanism. We have read the U.S. Delegation position paper on border taxes submitted at the recent GATT meeting which the Government gave to the Committee. We applaud their analysis of the disadvantage to our trade.

But we have been negotiating with respect to this disadvantage for over five years, and have been preparing legislation for over 5 months—all to no avail!