they will ask for tariff penalties because a quota imposed by us will contravene the GATT charter or retaliation on an individual basis will come into effect against our most profitable exports.

All in all, we can foresee that the result of imposing a variable quota on imports will be a shrinkage of our export trade.

On the other hand, if foreign countries are so eager to invoke the GATT legalities, why are our own trade negotiators so slow in invoking the penalties prescribed in the GATT charter? I am all for reciprocal recessions.

We have shown our good will in cutting tariffs.

We do not hide extra tariffs under the guise of new taxes in all types of devious forms.

My own view is that we should give the variable import quota a testing period of at least 3 years and make our trading partners honorable trading partners. This matter is crucial to us.

This is not merely a matter of offsetting payments deficits but the actual prosperity of our manufacturing industries here at home and the economic welfare of a large segment of the American laboring man. The sooner we initiate the new system the sooner will we be able to protect our own industrial viability.

It is not enough to be a free trader. One must also be a fair trader, and the actions of this administration as well as our trading partners do not contribute to an affirmative answer to the question: "Is your trade policy fair as well as free?"

(The articles referred to follow:)

[From the Wall Street Journal, June 28, 1968]

UNITED STATES HAD DEFICIT OF TRADE IN MAY; SECOND THIS YEAR

EXPORTS FELL 5.8 PERCENT FROM APRIL AS IMPORTS, LED BY STEEL, INCREASED 4.2 PERCENT TO RECORD—OFFICIAL QUARTERS DISTURBED

(By a Wall Street Journal Staff Reporter)

WASHINGTON.—The U.S. last month sustained its second merchandise trade deficit of the year, deepening official concern over the deterioration of the nation's international trade position.

Last month's seasonally adjusted deficit was $32.2 million, the Commerce Department said, and followed a $248 million surplus in April. The April surplus had been especially welcome after a $157.7 million March deficit, the first in five years.

Exports last month fell 5.8% from April to a seasonally adjusted $2.72 billion, while imports rose 4.2% to a record $2.75 billion. The bulk of the import rise was in steel bought as a hedge against a possible steel strike, and in autos, said William H. Chartener, Assistant Commerce Secretary for Economic Affairs.

There has also been a "general rise" in imports of consumer goods, Mr. Chartener added. Inflation and rising purchasing power here, he said, impairs the U.S. trade position by strengthening demand in the U.S. and causing U.S. products to be somewhat less competitive abroad. He said he hopes the recently passed 10% income-tax surcharge will help improve this situation.

In April exports had soared 17.7% while, imports rose 1.1%. But, the department cautioned, the April increases probably reflected "above normal export and import activity" following an 11-day longshoreman's strike in New York at the end of March.

Traditionally, the merchandise trade surplus has been the strongest element in the overall U.S. balance of payments, helping offset outflows for travel and military investment activities. The payments deficit, which last year totaled $3.57 billion, occurs when foreigners acquire more dollars than they return in all transactions. The cumulative trade surplus of $405 million for the first five months of