barriers, may play a very important role in determining the actual level of protection.

During the past few years, as Senator Javits and Congressman Reuss have brought out, considerable interest has been expressed in possible U.S. participation in free-trade areas. Conceptually, these could cover either all products or particular sectors, such as in the United States-Canadian automotive agreement. Much attention has been given to a North Atlantic free trade area—either as an alternative to United Kingdom entry into the ECC or, possibly, as a first step toward an enlarged free trade area that would embrace most, if not all, of the developed countries. We are trying to measure the economic impact of such arrangements, as well as their advantages and disadvantages to U.S. trade.

All proposed methods of negotiation must, of course, take full account of the fact that nontariff barriers as well as tariffs would have to be covered.

Prior to the Kennedy Round, and during it, the United States successfully negotiated for the reduction and elimination of nontariff barriers.

Through the GATT, which the United States took the initiative in forming, we have succeeded in obtaining the removal of most import quotas maintained by other industrialized countries. The relatively few remaining ones are mostly agricultural. We are continuing to press for liberalization in this field, but it is a slow and difficult process, since all countries resort to some restrictive devices to maintain the income of their farmers. We ourselves, as you know, use quotas for this purpose. Under section 22 of the Agricultural Adjustment Act, we limit imports of cotton and cotton products, wheat and wheat products, most dairy products, and peanuts.

We made substantial progress in the Kennedy Round toward liberalizing nontariff barriers. We negotiated an antidumping agreement that should limit the imposition of antidumping duties to cases of actual injury, as in our own law, and insure that regular and open procedures are followed to avoid their arbitrary and protectionist application. No change in our own statutes will be required.

We also negotiated a separate agreement involving a nontariff barrier of our own—the American selling price system of customs valuation. In exchange for its termination, we would, under the terms of this balanced agreement, receive deep cuts in the chemical tariffs of the ECC and the U.K. In addition, the ECC countries would eliminate discriminatory taxes against American-type automobiles, the United Kingdom would reduce its Commonwealth preference on tobacco, and Switzerland would eliminate its import limitations on canned fruit preserved with corn syrup.

This agreement was negotiated on an ad referendum basis for later submission to Congress, and we received some criticism to the effect that it amounted to an invasion of the prerogatives of the Congress, although we do not believe this to be true. The agreement, of course, will not become effective unless and until Congress acts to abolish the American selling price system. Let me say that this will be a very real test of our determination to come to grips with nontariff barriers and will have considerable bearing on the course of our future trade policy