

lem; namely, that Germany, on January 1, moved from the so-called cascade tax to an added value tax. Accompanying that was an adjustment at the border from undercompensation, because they could not calculate what the tax was, under the old system, to full compensation, which meant an increase in tax from 4 to 10 percent.

Before we can know what effect this will have on our export trade, we will have to know what the price effect in the German economy is. I think it will be a number of months before we get this in a definitive way. Then we have to begin looking at individual American exports and see whether there has been an effect.

Senator MILLER. Do you think that we are going to have adequate statistics to enable us to legislate on this at this session of Congress?

Mr. ROTH. No. In terms of the problem of border taxes, as such, we have asked for negotiations on the GATT rules, but it will be a long and complex process. Now this problem, the basic problem of border taxes as such, is perhaps separate from the balance-of-payments question of whether we should do something moderate and temporary in the trade sector to help our export position. They are really two different problems.

Senator MILLER. Well, I can see where they might be two different problems, but I can see where they could be related, too.

Mr. ROTH. They are related, also.

Senator MILLER. And, I can see where if we are not careful on the relationship, we might get ourselves into some problems that we do not want to get into. That is why I am wondering what we are going to have by way of hard statistics that will enable us to legislate prudently on this, if we are asked to legislate on it. You apparently do not hold out much hope of having those statistics for quite a long time.

Mr. ROTH. Not on the basic problem of border taxes. This will take considerably greater analysis both within our own Government and internationally. If we did come to the Congress with something in the trade area affecting the balance of payments we would, I hope, have a supporting case. But, I think the most important thing, as I mentioned before, is that should we do anything, we do it within the trading rules of the world, and that in no sense will we undermine those rules and set up a spiral of reaction on the part of other countries so that we net out nothing in terms of our trade balance.

Senator MILLER. You state: "I do believe that import restrictions should be an available remedy in certain cases."

Does this mean that in certain cases that you believe that import quotas should be available?

Mr. ROTH. That is right, as they are where the national security is brought into play pursuant to an OEEC finding, or where it can be shown that an entire industry is severely damaged by imports—then there is the escape clause, and I think that this is an important out that any economy needs.

What I was trying to say here is that I feel that the present escape clause is adequate. On the other hand, I do not want this study to be, in any sense, doctrinaire. There should not be anything we cannot look at and should not look at in depth.

Senator MILLER. I have just one more question. You are continuing to operate and do some negotiating in your office; are you not?