have also demonstrated a proliferation of these adjustments over the past few years. Finally we have pointed to the changes that the future will see in the adoption of indirect taxes by additional countries with the explicit objective of obtaining the trading advantages offered by the GATT rules on border taxes.

The United States delegation at the GATT has demonstrated that changes in the form of indirect taxes can also have an effect upon the patterns of trade. It is now clear that the provisions of the GATT lack precision and, therefore, encourage interpretations which frequently have the effect of improving a nation's trading position.

The time has now come to transcribe our understanding and new experience into constructive language in the GATT.

Temporary Border Adjustment for Balance of Payments Purposes

The President's New Year's Day Message stated:

"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—particularly 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."

In the days following President Johnson's message, Under Secretary of State Katzenbach, Under Secretary of the Treasury for Monetary Affairs Deming, Ambassador Roth, the President's Special Trade Representative, and Ambassador to the Organization for Economic Cooperation and Development Trezise visited with officials of our major trading partners in Europe to discuss the United States balance of payments program. Under Secretary of State for Political Affairs Rostow made a similar trip to Asia.

These emissaries in addition to describing the elements of our new balance of payments program, emphasized the necessity of restoring confidence in the exchange markets and the need for cooperative action to support the international monetary system. They distinguished between the long-term effects to be achieved through negotiations in the GATT on rules governing border tax adjustments and consultations with our trading partners to consider the best temporary actions to improve the United States' trade account. In these extensive consultations, we explored whether a temporary United States export rebate and import surcharge would necessitate or provoke similar measures by others which would have the effect of neutralizing the benefits the United States was seeking.