600

93d Congress } JOINT COMMITTEE PRINT
1st Session }

A NEW INITIATIVE TO LIBERALIZE INTERNATIONAL TRADE

REPORT

OF THE

SUBCOMMITTEE ON INTERNATIONAL ECONOMICS

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

TOGETHER WITH

ADDITIONAL VIEWS

MARCH 8, 1973

Printed for the use of the Joint Economic Committee

U.S. GOVERNMENT PRINTING OFFICE
91-656 WASHINGTON : 1973

For sale by the Superintendent of Documents,
U.S. Government Printing Office, Washington, D.C. 20402
Price 35 cents domestic postpaid or 20 cents GPO Bookstore
Stock Number 5270-01747

JOINT ECONOMIC COMMITTEE

(Created pursuant to sec. 5(a) of Public Law 304, 79th Cong.)

WRIGHT PATMAN, Texas, *Chairman*
WILLIAM PROXMIRE, Wisconsin, *Vice Chairman*

HOUSE OF REPRESENTATIVES

RICHARD BOLLING, Missouri
HENRY S. REUSS, Wisconsin
MARTHA W. GRIFFITHS, Michigan
WILLIAM S. MOORHEAD, Pennsylvania
HUGH L. CAREY, New York
WILLIAM B. WIDNALL, New Jersey
BARBER B. CONABLE, JR., New York
CLARENCE J. BROWN, Ohio
BEN B. BLACKBURN, Georgia

SENATE

JOHN SPARKMAN, Alabama
J. W. FULBRIGHT, Arkansas
ABRAHAM RIBICOFF, Connecticut
HUBERT H. HUMPHREY, Minnesota
LLOYD M. BENTSEN, JR., Texas
JACOB K. JAVITS, New York
CHARLES H. PERCY, Illinois
JAMES B. PEARSON, Kansas
RICHARD S. SCHWEIKER, Pennsylvania

JOHN R. STARK, *Executive Director*
LOUGHLIN F. MCHUGH, *Senior Economist*

ECONOMISTS

WILLIAM A. COX
JOHN R. KARLIK
LUCY A. FALCONE
RICHARD F. KAUFMAN
COURTENAY M. SLATER
JERRY J. JASINOWSK
L. DOUGLAS LEE

MINORITY

LESLIE J. BANDER
GEORGE D. KRUMBHAAR, Jr. (Counsel)
WALTER B. LAESSIG (Counsel)

SUBCOMMITTEE ON INTERNATIONAL ECONOMICS

HENRY S. REUSS, Wisconsin, *Chairman*

HOUSE OF REPRESENTATIVES

WILLIAM S. MOORHEAD, Pennsylvania
HUGH L. CAREY, New York
WILLIAM B. WIDNALL, New Jersey
BARBER B. CONABLE, JR., New York
CLARENCE J. BROWN, Ohio

SENATE

JOHN SPARKMAN, Alabama
J. W. FULBRIGHT, Arkansas
ABRAHAM RIBICOFF, Connecticut
HUBERT H. HUMPHREY, Minnesota
LLOYD M. BENTSEN, JR., Texas
JACOB K. JAVITS, New York
CHARLES H. PERCY, Illinois
JAMES B. PEARSON, Kansas

LETTERS OF TRANSMITTAL

MARCH 8, 1973.

To the Members of the Joint Economic Committee:

Transmitted herewith for the use of the members of the Joint Economic Committee and other members of Congress is a report of the Subcommittee on International Economics entitled "A New Initiative to Liberalize International Trade."

The views expressed in the Subcommittee report do not necessarily represent the views of other members of the Committee who have not participated in the hearings of the Subcommittee or in the drafting of this report.

Sincerely,

WRIGHT PATMAN,
Chairman, Joint Economic Committee.

MARCH 8, 1973.

Hon. WRIGHT PATMAN,
Chairman, Joint Economic Committee,
Congress of the United States,
Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a report of the Subcommittee on International Economics entitled "A New Initiative to Liberalize International Trade" together with additional views by several Subcommittee members. Because they did not participate in the hearings leading to the preparation of this report, Senators Fulbright and Humphrey take no position on its recommendations. Due to his responsibilities as Chairman of the Finance Committee Subcommittee on International Trade, Senator Ribicoff also takes no formal position on the report in its entirety. The report has the endorsement of all other members of the Subcommittee.

The Subcommittee wishes to express its appreciation for the views it received from the Administration officials and the private experts who appeared before it as witnesses during the extensive hearings preceding this report. We are particularly grateful to C. Fred Bergsten of the Brookings Institution, Richard Cooper of Yale University, and Richard N. Gardner of Columbia University Law School for their helpfulness in the preparation of the report.

Above all, we bear an inexpressible debt of gratitude to the late Honorable Hale Boggs, Congressman from Louisiana, for his inspiring guidance and leadership over the years.

Sincerely,

HENRY S. REUSS,
Chairman, Subcommittee on International Economics.

CONTENTS

Page

Letters of transmittal ... III

A NEW INITIATIVE TO LIBERALIZE INTERNATIONAL TRADE

The benefits of international trade and investment ... 2
Domestic adjustment to import competition ... 2
The link between international monetary and trade policies ... 6
Eliminating tariff barriers to trade ... 9
Reducing nontariff impediments to trade ... 9
American selling price ... 10
"Voluntary" agreements to restrict trade ... 11
Trade in agricultural products ... 11
Government purchasing preferences ... 12
Export promotion devices ... 12
Taxation of foreign income ... 14
Generalized tariff preferences for developing countries ... 15

ADDITIONAL VIEWS

Statement of Senator Ribicoff ... 17
Letter from Senator Humphrey ... 18
Supplemental views of Senator Bentsen ... 19
Additional views of Representative Carey ... 21
Additional views of Senator Javits ... 22
Additional views of Senators Percy and Pearson; and Representatives Widnall, Conable, and Brown ... 24

A NEW INITIATIVE TO LIBERALIZE INTERNATIONAL TRADE [1]

In December, 1969, the Joint Economic Subcommittee on Foreign Economic Policy began an investigation to formulate "A Foreign Economic Policy for the 1970s." By the end of June, 1971, seven sets of hearings had been conducted in this effort. Six weeks later—with the President's August 15 announcement that the previous course of economic policy was being radically changed—the failings of U.S. domestic and international economic policies became overwhelmingly evident.

During the whole of 1971 this country ran a balance-of-payments deficit of nearly $30 billion, and a trade deficit of $2.7 billion. In 1972 the trade imbalance grew to $6.8 billion. The response to the outbreak of these difficulties was to devalue the dollar and increase the values of most other major currencies. Recently the Treasury submitted to the Congress legislation to bring about a second dollar devaluation. The international monetary reform proposals now being negotiated by the Committee of Twenty are expected to include a mechanism for adjusting exchange rates promptly in order to avoid protracted balance-of-payments surpluses and deficits in the future.

Just as existing international monetary arrangements were unsatisfactory to the United States, the ground rules according to which nations trade with one another require an extensive overhaul. The basic objective of these new arrangements must be to promote the growth of real income in all trading nations through the increase in efficiency that results from international specialization in production.

The United States, under the direction of the President and the Secretary of the Treasury, has taken the initiative in pressing for reform of the international monetary system. A similar initiative is now necessary to revise the guidelines under which nations trade, so that all will benefit from the continued expansion of international commerce. European spokesmen have insisted, however, that the Congress must *first* grant the President statutory authority before his representatives can negotiate the mutual reduction of trade barriers with other countries. In order to obtain the appropriate statutory negotiating authority, a strong, explicit declaration from the President is essential. He must outline to the Congress, in a legislative request, the precise objectives to be achieved through trade negotiations and how these ends will be accomplished. Such a legislative program is promised for the near future.

[1] Because they did not participate in the hearings leading to its preparation, Senators Fulbright and Humphrey take no position on this report. Due to his responsibilities as Chairman of the Finance Committee Subcommittee on International Trade, Senator Ribicoff also takes no formal position on the report in its entirety.

The Benefits of International Trade and Investment

The long-standing arguments for the benefits to the world as a whole that derive from international trade and investment are so well known that they have virtually become cliches. However, at this time of great concern about the effects of import competition and the impact of foreign investment in both the United States and abroad, it is worth briefly reviewing the reasons for liberal U.S. trade and investment policies in the past and why this country should continue to adhere to these general principles in the future.

Trade permits individual nations to specialize in production of the goods that each can mine, grow, or manufacture at least cost. Trade creates jobs for workers in export industries and makes a larger variety of goods available to domestic consumers at lower prices than would be the case if each nation were self-sufficient. Although imports and exports each constitute slightly less than 5 percent of the United States GNP, this country is dependent upon a variety of essential raw material imports and upon foreign markets for exports of our manufactured goods and agricultural products. Without trade, many economic activities in this country would be forced to a halt.

If free from restrictions and not diverted by tax or other inducements, investments would theoretically be located around the world in whatever industries offered the most attractive opportunities for profit. Under this mechanism, capital would be invested where it can make the maximum contribution to expanding the value of production. While actual patterns of investment have not and never will conform exactly to this hypothetical construct, American investments overseas have stimulated growth, created jobs, and taught people in both industrial and developing countries how to satisfy their needs. Foreign investments here have had the same type of impact. Despite the existing controversy about U.S. investment abroad, our direct engagement in foreign economies produces substantial interest and dividend earnings, strengthens our ability to export to foreign markets, and helps assure an uninterrupted supply of essential raw materials.

Domestic Adjustment to Import Competition

As trade between the United States and other countries grows, some American industries, or groups of firms within particular industries, including the workers employed by these firms, will be subjected to severe competitition from imports. If the U.S. economy is near full employment and expanding in pace with the growth of potential output, import competition will in the overwhelming majority of cases not create a severe adjustment burden. Firms will find that producing a different product mix is more attractive, and workers will be drawn by wage increases into the manufacture of different goods or into service industries.

Shifts in output and employment of this type are healthy and absolutely necessary within a flexible, expanding economy. There is little difference between the types of adjustment that occur in response to wholly domestic changes in consumer tastes, to technological advancements, or to shifts in government expenditures, on the one hand, and the adjustments that are prompted by competition from imports, on the other. In a nation like the United States, with a

domestic economy so large that we rely on imports only to the extent of 5 percent of our GNP, the adjustments that occur in response to wholly domestic changes in consumer desires and productive techniques are far larger in the aggregate than the adjustments imposed by import competition.

Competition from abroad, however, continues to be the far more politically sensitive issue. Because most American workers and employers regard competition from imports as a fundamentally different phenomenon from the pressures resulting from domestic economic change, a policy to deal with import competition in particular must be formulated. No statutory authorization to negotiate the reduction of tariff and nontariff impediments to trade will be granted the President until a majority of the House and Senate are satisfied that an adequate policy response to import competition is included in that legislation. The appropriate policy response is a combination of (a) restrictions that can be instituted to protect domestic firms and workers from severe import competition and (b) financial and technical assistance to the same firms and workers that will permit them to move into lines of output and jobs that are independently viable. This combination of protection and assistance—and the provisions under which each are implemented—should conform to internationally accepted criteria for promoting prompt, effective, and appropriate adjustment to import competition.

Critics have charged that the provisions of the 1962 Trade Expansion Act protecting domestic industries, firms, and employees from severe import competition (the escape clause provisions) are too limited. To qualify for relief, a complainant must demonstrate, first, that a previous tariff concession is responsible for most of an increase in imports and, second, that this increase in imports is "in major part" the cause of economic injury to the industry, firm, or group of workers.

The requirement of a causal connection between a previous tariff concession and a subsequent increase in imports was apparently written into the 1962 Act to limit the number of cases that would reach the President for a decision on implementing some type of remedy. But this requirement is difficult to rationalize within the context of a 39-year-old commitment by the U.S. Government to the progressive reduction of tariff barriers and to a generally expansionary trade policy. Technological innovations, international differences in rates of productivity growth and inflation, and changes in consumer taste—in addition to previous tariff concessions—can all produce rapid expansion in imports of particular products and consequent hardship for domestic producers. Within the context of an overall commitment to the progressive liberalization and expansion of international trade, there is no rational economic justification for treating producers suffering from changes in economic conditions differently from those injured by a change in the statutory environment. As individual tariff concessions recede into the past, moreover, linking an expansion of imports with a particular concession becomes increasingly difficult. Therefore, the need for a causal link to be demonstrated between a previous tariff concession and a subsequent increase in imports should be eliminated as a requirement for granting relief.

91-656—73——2

This single requirement that should be satisfied in order to qualify an industry, firm, or group of workers for relief from import competition should be a demonstration that an expansion of imports is more important than any other cause of injury. In considering what constitutes injury, the investigating agency should consider all relevant economic factors, including (*a*) whether domestic firms are able to earn a reasonable rate of profit given alternative opportunities to realize earnings and (*b*) whether American workers are rendered unemployed or underemployed and unable to find alternative jobs.

Firms should be able to obtain temporary protection from import competition or government assistance only if there are no alternative means of maintaining earnings. If the economy is expanding at a reasonable pace, and alternative opportunities for profit are available, public outlays would be wasted and the efficiency of our productive facilities would be impaired by extending assistance to firms and granting them relief from import competition. Similarly, workers do not need retraining programs, unemployment insurance, relocation benefits, or any other form of assistance if alternative employment opportunities exist.

In the event of a determination by the Tariff Commission that an expansion of imports is causing economic injury to American industries, firms, or workers, the President should have available to him a range of tools he can draw upon with which to grant relief. Under existing law, industries can be assisted by an increase in tariff rates or by the imposition of other import restrictions. Assistance to individual firms can be in the form of technical aid, loans, or tax benefits. Groups of workers may obtain unemployment compensation, job retraining, or relocation benefits.

The distinction between the type of relief available to industries and firms should be maintained. An increase in the import duty on a particular product, the imposition of a quota on that good, or the negotiation of an orderly marketing arrangement between the United States and foreign producers is an appropriate remedy to apply in response to an industry-wide injury. It would not be appropriate to implement these remedies to aid a few firms within an industry when the entire industry is not suffering from import competition. To do so would merely permit the more efficient firms to earn excess profits at the expense of American consumers.

Much current discussion of suggestions for trade legislation seems to have overlooked the fact that the President currently has the authority to increase tariffs, impose quotas, or negotiate orderly marketing agreements with other countries in the event of a Tariff Commission finding that injury has resulted primarily from an expansion of imports stemming mainly from a tariff consession. Abolishing the causal link between a tariff concession and the expansion of imports, as suggested above, would give the President additional discretion to restrict imports when he determined that this remedy was the appropriate one.

The President needs discretionary authority to grant technical assistance and financial aid to firms and workers as a substitute for or supplement to import restrictions. The ultimate aim of a liberal

trade policy is to permit American firms and workers to produce and export what we can manufacture more efficiently than other countries, and to import those products that can be obtained at less cost abroad. This goal requires a more-or-less continuous shifting of capital goods, management personnel, and workers out of the production of some goods and into the manufacture of others. Our objective cannot be to protect inefficient industries indefinitely; a statutory time limit—such as the existing four-year restriction—is necessary on the use of tariffs, quotas, or orderly marketing arrangements to protect domestic industries.

But even if temporary relief from import competition is necessary, the objective of granting a degree of protection for a time is to permit domestic firms and workers to make themselves more productive and to find alternative sources of earnings. Managers must find new products to manufacture or cheaper ways of making existing product lines. Some workers must find different jobs. Therefore, technical and financial aid to firms and workers is a desirable and necessary complement to temporary import restrictions in any program to expand trade. For this reason, the various types of adjustment assistance programs offered in the United States should be expanded and liberalized substantially. The Subcommittee on Foreign Economic Policy of the House Foreign Affairs Committee published in August, 1972, a report on adjustment assistance presenting an extensive list of useful recommendations to improve this facility.

In the event that the Tariff Commission finds that an injury to a U.S. industry has occurred or is threatened, the President currently has and should retain the authority to increase tariffs, impose quotas, or negotiate orderly marketing agreements with other countries to ease the pressure of import competition. Besides restricting imports, the President can direct that technical and financial assistance be made available to affected firms and workers instead of, or in addition to, import restrictions. This authority should also be retained. In most cases of injury to industries, a combination of import restrictions and adjustment assistance will be appropriate. If only some firms and workers in an industry are injured by import competition, the remedies should continue to be limited to technical and financial aid to the affected parties. The amount, duration, and range of adjustment assistance benefits available in all types of cases should be substantially expanded. To qualify for adjustment assistance a finding that imports are a substantial cause of injury to an industry, firm, or group of workers should be sufficient. The existing cumbersome procedure for obtaining adjustment assistance should be replaced by one which avoids lengthy Tariff Commission adjudication.

The United States will not succeed in adhering to a policy of progressive trade liberalization and expansion, nor will we benefit fully from the fruits of international specialization, if our programs to deal with the problem of severe import competition do not meet internationally accepted criteria. International trade and monetary relations are a two-way street, and no one party can dictate for more than a brief period the terms of a commercial interchange. In recognition of this condition, the United States should take the lead in pressing

for the prompt negotiation of international standards to determine the acceptability of actions to safeguard domestic producers. As long as restrictions imposed by the United States to protect domestic interests conform to internationally established criteria, including the need for tariff reductions to compensate other countries for U.S. escape clause actions restricting imports, there should be no grounds for foreign retaliation.

The United States should take the lead in negotiating an international set of criteria to determine when a country may legitimately restrict imports to protect domestic producers from injury, how long such restrictions may remain in effect, and the extent and type of technical and financial benefits that should be extended to injured firms and workers to complement import restrictions. Once such standards are negotiated, the United States should rigorously adhere to them.

The Link Between International Monetary and Trade Policies

Temporary increases in tariffs on particular products and adjustment assistance benefits for selected firms and groups of workers should be used to relieve the injury resulting from the rapid expansion of a limited number of imported products. Such devices cannot remedy an across-the-board inability of a particular nation to compete in international markets. If a country consistently runs balance-of-payments deficits on an official settlements basis, and steadily loses reserves or is obliged to borrow from foreign monetary institutions, this disequilibrium must be removed through an adjustment in exchange rates.

In 1971 and 1972 the United States ran extremely large external payments deficits. These deficits can be explained to a large extent by the inability of the United States, despite substantial earnings from investments abroad, to achieve a trade surplus large enough to pay for our tourist and military expenditures abroad and to cover long-term capital outflows. The exchange rate realignments that were agreed upon in December, 1971, and this year will help move the United States toward achieving a sufficient trade surplus and will discourage tourist expenditures and investment abroad. But even if we are now in a position to eliminate our payments deficit without reliance upon capital export controls or other restrictions on international trade and investment, exchange rates must continue to adjust in the future to allow for international differences in rates of inflation and productivity growth.

Adjustment by domestic firms and workers to the pressure of import competition is greatly facilitated by the maintenance of full employment in the United States and the achievement of a rate of economic growth in keeping with the expansion of our productive capacity. The prompt and appropriate adjustment of exchange rates, however, is also needed to assure that excessive adjustment burdens are not placed on American industry. The two dollar devaluations and the accompanying realignment of exchange rates that have occurred since August, 1971, will eventually help American workers and firms shift their energies into the manufacture of exports and import-competing goods. In effect, a decline in the foreign exchange value of the dollar

will raise wages and profits in industries producing goods that are traded internationally relative to returns in industries that produce and sell their output exclusively within the domestic economy.

Under the Bretton Woods Agreement, the International Monetary Fund was created as the multilateral organization primarily responsible for insuring that this system functions for the mutual benefit of all its member nations. Since the mid-1960s, however, the system has not worked effectively to induce surplus nations to increase the foreign exchange value of their currencies by amounts sufficient to avoid very substantial reserve gains. The failure of these countries to revalue their currencies upward or of the United States to devalue the dollar before 1971 gave their exporters a price advantage in U.S. markets and contributed to the decline in the share of foreign markets supplied by American manufacturers. In addition, the overvaluation of the dollar and the relative undervaluation of other currencies has had the practical effect of subsidizing U.S. tourist and military expenditures abroad, of enabling American corporations to buy up foreign firms and build plants abroad at discount prices, and of discouraging investment by foreigners in the United States. All of these effects of exchange rate misalignment have swelled U.S. payments deficits.

The magnitude of our deficits in 1971 and '72 have reinforced the complaints of particular industries and have added weight to their demands for protection from import competition. No system of easing the adjustment imposed upon Amefican firms and workers in response to import competition can function satisfactorily if this country's balance of payments is persistently in deficit by a substantial amount. Under such conditions, either temporary increases in tariffs would expand into wholesale protectionism, or the amount of adjustment assistance financing required would prove to be a politically intolerable burden on an already overstrained Federal budget. Only if the international exchange rate mechanism functions promptly and effectively can the United States continue to participate fully in the nondiscriminatory expansion of international commerce and investment.

The International Monetary Fund has available a sanction to be used against nations experiencing persistent payments surpluses that refuse to revalue their currencies. This sanction is known as the "scarce currency" clause of the Bretton Woods Agreement and, if activated by the member nations of the IMF, would enable them to levy discriminatory taxes against the exports of a surplus country that refused to increase the exchange value of its currency. Despite very large trade and payments surpluses by Japan and Germany, the scarce currency clause has never been used.

If the International Monetary Fund continues avoiding the responsibility of disciplining surplus, as well as deficit, nations that refuse to make appropriate exchange rate adjustments, the United States will be obliged to act unilaterally again to protect its own balance-of-payments position. An appropriate unilateral action by the United States would be the application of a tariff surcharge on imports of manufactured goods coming from any industrial nation that enjoyed a substantial persistent balance-of-payments surplus but that refused to permit its currency to float or be revalued upwards. Such a surcharge would remain in effect so long as the United States both continued to have a fundamental payments deficit (according to the official settle-

ments calculation) and the foreign country or countries in question failed to make appropriate exchange rate adjustments. A portion of such exchange rate adjustments could, of course, come about through a decline in the officially stated gold value of the dollar. A willingness on the part of other countries not to devalue along with the dollar can be as important a contribution to the maintenance of an appropriate structure of exchange rates as an initiative abroad to revalue a foreign currency upwards.

Applying restrictions against imports for balance-of-payments grounds is hardly a new idea. Article XII of the GATT permits countries experiencing severe payments deficits to impose import quotas. Because quotas discriminate among products and frustrate the working of the price mechanism, a surcharge on all products is a more economically rational tool than a quantitative limit on imports. The United Kingdom, France, Canada, and the United States have all in the past decade appropriately resorted to import surcharges instead of quotas to protect their balance-of-payments positions.

The reforms of the international monetary system now being negotiated by the Committee of Twenty will, we hope, include provisions for the prompt adjustment of exchange rates, and thus, in the future, American Presidents will be able to avoid using the proposed discretionary authority to impose a tariff surcharge. In the event that nations with persistent balance-of-payments surpluses refuse to make or participate in exchange-rate adjustments, other IMF members in addition to the United States would—under the reformed international monetary system—presumably be encouraged to implement their own comparable surcharges. Such multilateral action by IMF members would revive the "scarce currency" clause of the Bretton Woods agreement as a meaningful sanction.

But whatever the circumstances, no surcharge should be introduced without previous consultations with the nation or nations against whom it is imposed. International consultations on all questions of trade, investment, and money are essential because either party can block a transaction or retaliate to what it views as capricious and unfair treatment. For example, if the United States were to impose a surcharge, this action could be offset by retaliation on the part of the country or countries whose goods were subject to the additional import duty. Thus, any action by the United States directed toward achieving equity in international economic relations ultimately depends upon at least the tacit approval of other countries if our measures are to remain effective.

When the United States is experiencing a fundamental persistent official settlements deficit in its balance of payments, the President should have by law discretionary authority to impose a tariff surcharge at a rate he considers appropriate against any countries that refuse to make or frustrate the exchange rate adjustments necessary to eliminate the U.S. external deficit. The statute granting the President this authority should provide that the Congress—if it so determines within sixty days—can nullify his decision by a simple majority vote.

Eliminating Tariff Barriers to Trade

As a result of the mutual tariff reductions agreed upon during the Kennedy Round of trade negotiations, tariffs levied by all major industrial nations average 10 percent or less. Japan still has the highest average level of tariff barriers, but the United States exhibits greater variation in its tariffs then either Japan or Western European countries. As a consequence, the United States has more very high tariffs than any other industrial nation. Even in the United States, however, few tariffs actually make the difference between the survival of a domestic industry and its demise. Most import duties have been reduced to such a low level that they are more of a nuisance in conducting international trade than a serious inhibition. For this reason, the Congress should give the President the statutory authority to negotiate a total and complete phase-out of all tariff barriers over the next ten to twenty years.

Reducing remaining tariff barriers by an average of one percentage point each year or less would not expose any industry in the United States or elsewhere to a severe adjustment shock—far from it. The potential benefits from expanded trade among industrial countries are ample reason for pursuing this initiative. But the total abolition of all tariff barriers during the next decade or two would have an important additional benefit from the U.S. point of view: the special preferential arrangements that the members of the European Economic Community (EEC) have been formulating with other nations would gradually be phased out. The issue of special preferential agreements between the EEC and other nations is a particularly sensitive one in the United States. Planning for the elimination of these preferential arrangements would revitalize the principle that tariff reductions should be extended on a most-favored-nation basis.

Industrial nations should agree to abolish gradually all permanently statutory tariff barriers over the next ten to twenty years [2]

Reducing Nontariff Impediments to Trade

Nontariff barriers, because they occur in so many different forms and because measurement of their impact on trade is extremely difficult, are not susceptible to the same type of negotiating techniques for achieving their removal as are tariff barriers. The President can be given, as suggested above, specific authority to negotiate the mutual reduction of tariffs by a stated amount. However, one cannot authorize the President similarly to reduce nontariff barriers by a given amount, because there is no easy way to state that amount. Nontariff barriers vary too greatly from country to country for this type of approach to be feasible. These obstacles must therefore be abolished in bundles as a consequence of bilateral talks between two countries or between the United States and a group of other nations, such as the EEC.

If the negotiators on both sides are skillful and estimate correctly the impact of exchanging the removal of one set of barriers for the

[2] Countries would presumably continue to resort occasionally to the temporary imposition of tariffs in actions to safeguard domestic producers.

abolition of another set by foreigners, the benefits derived by both parties will be approximately equal. But it would be totally impossible for the Congress in advance to specify which U.S. barriers should be removed in exchange for a particular set of foreign restrictions. At the same time, the Congress will be unwilling to give the Executive carte blanche in negotiating the removal of nontariff impediments as the President sees fit. An appropriate role for the Congress under these circumstances is to give the Executive a go-ahead to negotiate with other countries on an *ad referendum* basis groups of nontariff barriers that can be fairly traded off against one another. These agreements would then be submitted to the Congress for their approval.

Extremely close consultations between the Executive and the Congress would be necessary throughout negotiations on the elimination of nontariff barriers in order to keep members of the relevant legislative committees informed, and to insure a high likelihood that the agreements would secure congressional approval after they had been negotiated. The credibility of the Executive's negotiators would be rapidly undermined if the agreements they worked out were not usually approved.

Trade legislation should include a clear directive from the Congress instructing the Executive to discuss with foreign countries and negotiate on an ad referendum basis the mutual reduction of nontariff barriers to trade. Any such agreements would be drawn up with the understanding that they must be submitted to the Congress for final approval.

American Selling Price

The history of the Supplemental Agreement on Trade in Chemicals, negotiated during the Kennedy Round, is one of mistrust and a total breakdown of communications between the Congress and the Executive, as well as between Americans and Europeans. European countries have now refused to renew their offer to enter into this agreement once it was ratified by the Congress. The Congress has emphasized its power to prevent the mutual reduction of nontariff obstacles to trade when either congressional prerogatives are perceived to have been overlooked or when the deal worked out does not appear to be equitable.

The American Selling Price (ASP) method of valuation for imports of benzenoid chemicals has unfortunately now become the test of whether the United States is willing to work seriously for the reduction of nontariff trade barriers. The bargain proposed under the Supplemental Agreement on Trade in Chemicals was a reasonably equitable one and, on its merits, should have been approved. It is questionable whether the European countries that had been willing to enter into this agreement would be willing to revive the same bargain, or whether the United States could get an equally beneficial arrangement, from our point of view, in the future. In any case, the American Selling Price method of customs valuation grants a totally unreasonable degree of protection to a small segment of the U.S. chemical industry that could be absorbed into the American economy with no appreciable rise in unemployment or other hardship. Levying customs duties on the basis of the price at which benzenoids are sold in the

United States is a procedure similar to the variable tariffs applied by the Common Market countries to imports of agricultural products. This anachronism in the U.S. tariff code should be eliminated.

The practice of levying duties on imports of benzenoid chemicals and certain other products on the basis of their American Selling Price, rather than the price charged by the foreign manufacturer, should be abolished in return for a reasonable offer from our trading partners to eliminate a comparable nontariff barrier obstructing American exports.

"Voluntary" Agreements To Restrict Trade

In recent years, a number of so-called voluntary agreements have been negotiated between the United States and other countries to ease the pressure of import competition on American industries exercising substantial political influence. Outstanding among these cases are the voluntary agreement to limit shipments of steel to the United States and an arrangement between the United States and several Asian countries to curtail shipments of woolen and synthetic yarns and fabrics to the United States. Probably some mechanism to limit imports of at least some of these goods was necessary. However, the arrangements were worked out on a bilateral basis, usually between countries in highly unequal negotiating positions, and without reference to either the escape clause procedures in American law or to any internationally approved set of guidelines for handling the problems of industries suffering severely from import competition. By contrast, the Long-Term Arrangement Regarding International Trade in Cotton Textiles stands as an example of a trade restraint that has been successfully multilateralized.

All "voluntary" arrangements negotiated with other countries to limit exports into the United States should be multilateralized and reviewed to insure that they adhere to internationally approved criteria for aiding industries injured by import competition. If such agreements cannot meet the standards, they should be revised in a fashion that will conform to internationally approved criteria.

Trade in Agricultural Products

One of the outstanding examples of international comparative advantage favoring the United States is our ability to produce agricultural products, and particularly grains, at prices equivalent to or lower than those almost anywhere else in the world. Our capacity to exploit this comparative advantage has been frustrated by Japanese quotas and by the Common Market's variable levy on agricultural imports.

Both in the United States and overseas, with the outstanding exception of Great Britain, the orientation of agricultural income support programs has been to insure high prices to farmers rather than to make cash payments directly to those farmers suffering from substandard incomes. The effect of the price-support approach has been to make larger, more efficient farmers wealthy and to generate surpluses of the supported commodities. Frequently these surpluses have been dumped in the world markets at governmentally subsidized prices.

These agricultural price support progjrams are now being recognized by governments throughout the world as being too expensive to continue indefinitely without modification. The United States, on the other hand, cannot expect other nations to reduce their barriers to imports of products grown here without similar modification of American quotas limiting agricultural imports.

The United States should initiate negotiations on the reform of agricultural income support programs with the objective of replacing price supports by direct payments to farm families with substandard incomes. As a result of this shift in the method of support, the United States and Japan could gradually abolish their quotas and the European Economic Community could eliminate its variable levy on imports of farm products. The desired outcome of these changes would be an expanded volume of trade in agricultural products, lower food prices for consumers, and an increased degree of international specialization promoting the efficient production of agricultural commodities.

Government Purchasing Preferences

American firms frequently complain that they are not permitted to compete on an equal basis with domestic manufacturers when foreign governments are accepting bids for the construction of power plants, rail lines, or other major public investments. Similarly, foreign manufacturers object to the standards that the U.S. Federal Government or State governments apply in letting contracts. For example, on balance-of-payments grounds the Federal Government insists that defense procurement be made in the United States unless the price quoted by the cheapest American supplier is more than 50 percent above the foreign price. It is unrealistic to expect that governmental preferences in favor of domestic industries can be totally abolished. However, such purchasing preferences should be regularized and applied in a similar fashion throughout the world. An important step forward would be to insure, in contrast to the procedures now followed by many countries, that foreign suppliers are informed of and have an equal opportunity to bid on government contracts.

The United States should enter into negotiations with the objective of establishing uniform international guidelines for the preferences given domestic suppliers in bidding for government contracts.

Export Promotion Devices [3]

The trading nations of the world employ a variety of export promotion devices. For example, in the United States firms have in recent years been encouraged to establish Domestic International Sales Corporation (DISC) subsidiaries. The function of these subsidiaries is to export; they are supposedly encouraged to compete vigorously in international markets by a tax deferral. U.S. income taxes on half of their export earnings are deferred until these earnings are remitted to the parent corporation. In addition, the United States has an Ex-

[3] Additional views on export promotion devices are presented on pp. 19–20, 22–24, *infra*.

port-Import Bank which, like similar institutions in many other countries, offers credit at subsidized rates to finance the purchase of U.S. exports. Many governments pay direct subsidies to promote the sale of domestic manufactured or agricultural products to foreigners. While these export promotion devices are not impediments to trade, they distort trade flows from the patterns that would exist according to international specialization on the basis of productive efficiency alone. More importantly, they either shut third countries out of markets or lead to competition among exporters in which the one paying the largest subsidy wins.

During a recent trip to Japan, Committee staff members discovered that the most frequent complaints both by American businessmen in Tokyo attempting to sell U.S.-made goods and by Japanese purchasers had nothing to do with marginal differentials in price. Instead, the charge was leveled that American manufacturers have not attempted to design their products to appeal to the needs and tastes of Japanese consumers or to bring our goods easily within the reach of the Japanese family budget. Whenever the domestic economy in the United States is expanding briskly, American manufacturers tend to fall behind the delivery schedules specified in existing contracts and to stop seeking new overseas business. Moreover, our firms have not attempted to merchandise their goods aggressively in Japan, and few American corporate officers have bothered to learn the rudiments of Oriental customs necessary to make an effective sales presentation in Japan. DISC, which at best would permit only modest reduction in price, can do nothing to meet these deficiencies. Moreover, many other countries consider the DISC an especially unfair trading practice on the part of the United States.

To turn to the other side of the coin, the United States has in force a countervailing duty statute which, in the event of a finding that a foreign government is subsidizing the export of a dutiable good to the United States, compels the President to impose an appropriate countervailing duty whether or not the foreign subsidy is demonstrably injuring American firms or workers. Recently the Treasury Department has moved to apply this statute against a foreign manufacturer of tires imported into the United States. The existing countervailing duty statute is defective in that it requires no finding of injury and in that it allows the President no discretion in seeking alternative means for offsetting the impact of the foreign subsidy. Elimination of these deficiencies in the statute would be desirable, but the establishment of an international code covering all types of subsidies paid on goods traded internationally would be preferable.

The statute permitting the establishment of Domestic International Sales Corporations should be repealed. The United States should participate in negotiations to devise promptly an international set of criteria specifying what constitutes an export subsidy and to avoid competition among nations in granting such subsidies. The activities of the Export-Import Bank and any other practices subsidized by the U.S. Government should promptly be modified to conform to such guidelines. Only as a last resort should a reformed countervailing duty statute—including an injury test and discretion for Presidential application—be used to offset a foreign subsidy.

Taxation of Foreign Income [4]

Until nonresident convertibility of most Western European currencies was re-established at the end of 1958, American corporations and individuals had little incentive to invest abroad. But with the reconstruction of a multilateral payments system, the formation of the European Economic Community, and a surge in economic growth overseas, U.S. corporations during the 1960s became vitally concerned about maintaining and expanding their position in foreign markets. American direct investment abroad more than doubled during the 1960s, from just under $30 billion at the end of 1959 to $71 billion at the beginning of 1970. The most recent available estimate, for December 31, 1971, totals $86 billion.

Most U.S. direct investment abroad has probably been globally beneficial in that expansion of real capital stocks abroad led to a greater contribution to output than an equivalent amount of additional investment in the United States. However, the preferred outcome from a global viewpoint does not necessarily maximize employment in the United States or lead to the greatest possible contribution to this Nation's economic welfare.

Businessmen frequently insist that the problems of dealing with other governments, of training and supervising foreign workers, and of managing an enterprise several thousand miles away leads them always to prefer exporting from the United States if they are able to maintain their share in the foreign market by this means. They explain that only when retaining their present market share requires an overseas commitment, do they make a decision in favor of investment abroad.

In many instances this rationale is undoubtedly valid. On the other hand, there are incentives to invest abroad which have worked against both the optimal location of investment from a global viewpoint and the best interests of the United States. Part of the incentive to invest in the European Common Market was the dynamism of these economies during the 1960s. Another incentive, by contrast, was simply the desire to jump the common tariff wall and be able to produce within a new major market on a par with domestic corporations. The eventual elimination of tariffs recommended elsewhere in this report would gradually remove this incentive for investment abroad.

The U.S. tax code has also tended to encourage unduly U.S. direct investment abroad. Two provisions are relevant. First, the income earned by foreign subsidiaries of U.S. corporations has not been subject to U.S. taxes until it has been repatriated to the United States, often years after it has been earned. When this income continues to be retained abroad and reinvested, the tax deferral has effectively become a tax exemption. Second, when U.S. corporations pay tax on income earned abroad by their subsidiaries, they are given a full credit for income taxes previously paid to foreign governments. Under tax treaties we have negotiated with other governments, many other national tax codes give foreign corporations investing in the United States a similar credit for taxes paid to the U.S. Treasury. Thus,

---

[4] Additional views on taxation of foreign income are presented on pp. 19-20, 22-24, *infra*.

foreign investment in the United States is also encouraged to some extent.

The deferral of taxation on income earned by U.S. subsidiaries abroad constitutes a tax subsidy that ought to be abolished at the earliest possible date. However, no similarly clear-cut stand can be taken regarding the credit. It is possible that the great surge of American private direct investment abroad has passed, and while we still experience substantial capital outflows each year, a wave of foreign investment in the United States may be in the offing. Reducing or abolishing the credit at this time might injure the U.S. balance of payments more than strengthen it. Some reduction in the credit, say to 90 or 80 percent, could be considered. Alternatively, we could terminate the practice of allowing American corporations to use "excess" credits accrued in high tax jurisdictions against the U.S. tax due on income from low-tax countries. But no action should be taken until economists have carefully analyzed prospects for U.S. investment abroad and foreign investment in the United States and until representatives of the Treasury and foreign governments have had an opportunity to discuss the advisability and likely consequences of altering the credit.

Deferral of U.S. taxes on income earned abroad by the foreign subsidiaries of U.S. corporations should be promptly abolished. The credit given American corporations for income taxes paid to foreign governments should be reviewed to determine whether modification would be in the best long-run interests of the United States.

Generalized Tariff Preferences for Developing Countries

Japan and the nations of the European Economic Community have granted generalized tariff preferences to expand imports of manufactured goods from developing countries into the markets of these industrial nations. However, both the Japanese and Europeans have imposed safeguards to protect their domestic industries in the form of quotas limiting the total amount of such imports that can enter duty-free. A need for the United States to apply some safeguards—perhaps by excluding certain products from duty-free entry and by resorting to the escape clause procedure discussed above—is generally recognized. However, the Administration has not presented the Congress with a legislative proposal to enact tariff preferences benefiting poor nations.

Simultaneously, we have objected to the reverse preferences that certain developing countries, largely under French insistence, give for imports of products from the European Economic Community. These reverse preferences, which discriminate against sales by the United States to developing countries, could probably be negotiated away if we were willing to extend generalized tariff preferences. Given the abolition of all permanent statutory tariffs by industrial countries within ten to twenty years, as proposed above, the enactment of generalized preferences would constitute only a temporary and rela-

tively minor cost for the United States. By doing so, we could banish the dog-in-the-manger image that we have created of ourselves in the developing world. We hardly exhibit leadership among the industrial countries by maintaining our present stance.

The Congress should promptly enact generalized tariff preferences giving imports of manufactured products from developing countries, with appropriate safeguards, duty-free entry into the United States market. The Administration should also urge a more liberal application of tariff preferences by Japan and the EEC.

STATEMENT OF SENATOR RIBICOFF

This report is one of a series of outstanding reports done by the Subcommittee. I am sure it will be a positive contribution to Congressional and public discussion of these problems. There is much in this report with which I agree.

However, since I have been chairing hearings of my Finance Committee Subcommittee on International Trade, I think it best at this time that I take no formal position on the report in its entirety.

U.S. SENATE,
Washington, D.C., March 5, 1973.

Hon. HENRY REUSS,
Chairman, Subcommittee on International Economics,
Joint Economic Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: I regret that I am not able to sign the report entitled "A New Initiative To Liberalize International Trade."

I was appointed to the Subcommittee on International Economics only last month and, of course, I was not present during the extensive hearings held from December 1969 until June 1971 by the late Hale Boggs. In view of my lack of involvement in the work of the Subcommittee, I do not believe it would be proper to sign the Subcommittee's report.

I take such action not in dissent, but with the belief that my nonparticipation in the development of the report prevents me from a blanket endorsement of its conclusions.

Sincerely,

HUBERT H. HUMPHREY.

SUPPLEMENTAL VIEWS OF SENATOR BENTSEN

I agree with the principal conclusions and recommendations of the Subcommittee, however, I wish to express some additional comments and reservations.

I am very concerned that the current U.S. trade deficit is not an interim maladjustment in world markets which will be easily cured. While the official deficit figure for 1972 was $7 billion, when insurance and freight are included and foreign aid related exports excluded, the more meaningful deficit figure is $14.5 billion. The declining role U.S. manufacturing played in world markets during 1972 is demonstrated by a U.S. deficit of $7.1 billion in the trading of manufacturing goods, while the European Economic Community enjoyed a $23.5 billion surplus and the country of Japan alone piled up a $19 billion surplus in manufacturing trade.

Despite the seriousness of the current imbalance, I am convinced that our Nation's interests will be better served by efforts to increase exports rather than a policy of restricting imports. Thus, while I do not object to the recommendation to increase Presidential authority to grant relief to industries affected by imports, I wish to stress the importance of the statement in the Report that we cannot protect inefficient industries indefinitely. In the absence of national security requirements, such relief must be of a temporary nature. To do otherwise would result in substantially higher prices to our consumers and damage to U.S. export markets as well.

While I generally concur with the recommendation that some unilateral action such as a surcharge against imports from countries which continually enjoy substantial balance-of-payments surplus may be necessary, it should not be limited to those countries which refuse to revalue their currency. Such a limitation places undue emphasis on the importance of exchange rates. The significance of a change in exchange rates on trade flows depends upon the freedom of access of products into markets. Relative currency values will have no effect on the sale of U.S. agricultural products in European markets if the variable levy system of the "common agricultural policy" excludes those products at any price. An upward revaluation of the yen will not improve the sale of large scale U.S. computers in Japan if there is a corresponding increase in the special tax presently imposed for use in developing Japanese computers. In a world where nontariff barriers play a major role in the flow of goods, we must not tie our policies for improving the U.S. trade balance to exchange rate revaluations.

I completely concur with the recommendation that Congress instruct the Executive to negotiate reductions in nontariff barriers with such reductions subject to congressional approval. The Congress should make clear in authorizing such negotiations its willingness to accept nothing less than equal access.

I do not agree with the repeal of the Domestic International Sales Corporations (DISC) program or alteration of U.S. countervailing duty statutes in the absence of agreement from our trading partners for a corresponding reduction in export subsidies.

I concur with the recommendation that the foreign tax credit be reviewed to determine whether modification is necessary. Under present law, State and local taxes paid by a domestic business are treated as a deduction for Federal income tax purposes, while a foreign subsidiary receives a 100 percent credit for those same local taxes if imposed by a foreign country.

I will reserve judgment on the recommendation that the deferral of taxation on income earned by U.S. subsidiaries operating abroad be eliminated until further study is made of the provision by the Senate Finance Committee later this year. There are some countries which place severe restrictions on the removal of profits earned within their boundaries and repeal of the provision raises some serious international problems.

I also take exception to the recommendation to replace our system of agricultural price supports with direct payments to low-income farm families.

Our present system of price supports based on between 75 percent and 90 percent of parity accomplishes two things: (1) an incentive for the farmer to gain above this level in the marketplace and (2) protection for the farmers when overproduction creates extremely low incomes.

Production controls have worked because farmers, large and small alike, have been encouraged to participate by price support programs. Agriculture must be oriented toward overproduction because underproduction of food is unacceptable. Yet farm income must be protected from gross overproduction. Without this protection, agriculture would return to the old "boom and bust" days with the consumer, both domestic and foreign, being the ultimate loser.

ADDITIONAL VIEWS OF REPRESENTATIVE CAREY

I heartily appove of the general objective expressed in this report of removing impediments to trade so long as the economic interests of the United States and the welfare of American workers are protected. Indeed, the purpose of expanded American participation in international trade is to insure the vitality of our economy and raise the real incomes of consumers and workers in this country.

Because I was not a member of the Joint Economic Committee when the hearings leading to this report were held and because the Ways and Means Committee, of which I am a member, will be considering trade legislation later this year, I have not yet come to a decision about some of the specific issues discussed in this report.

ADDITIONAL VIEWS OF SENATOR JAVITS

I feel that it is imperative to open trade negotiations in 1973 which must address themselves primarily to:

(1) Protective implications of the high price support system of the Common Market's Common Agricultural Policy;

(2) The network of proliferating preferences being established by the European Economic Community which discriminates against the trade of the U.S. and other countries outside this expanding preferential framework;

(3) The continuing trade and investment restrictive practices of Japan which contribute to our serious structural trade imbalance with Japan; and

(4) The impact on trade of the uncertainty of the international monetary settlements.

Clearly such negotiations cannot be a one-way street.

Since such trade negotiations are imperative if we are to prevent the drift of the world into protectionist regional trading blocs and possibly trade and monetary wars, the President must be given the authority to negotiate. This will require trade legislation, and such trade legislation must be one of the priority items of the 93rd Congress. With appropriate Administration action and preparation I see no reason why such legislation could not pass the House of Representatives before our August recess and the Senate before the end of the year. Such a time table would allow the Administration to meet the negotiating time table which was written into last fall's Common Market Summit Communique—a time table in which the United States concurred.

The elements of such trade legislation should include the following elements:

(1) Liberalization of the escape clause mechanism to allow a more workable test of "injury" caused by imports and in such new criteria, "injury" must not be tied to past tariff concessions.

(2) New and flexible Presidential authority to increase as well as lower tariffs. This new authority to increase tariffs should be the key new element in an effective U.S. safeguard system.

(3) Presidential authority under special circumstances granted the authority to impose across-the-board import surcharges and perhaps even quotas, but in these cases either House of the Congress must be given the power to disapprove such Presidential action within 30 or 60 days.

(4) Authority for the United States to implement its negotiated commitment to phase in a generalized preference scheme for the manufactured products of the less-developed world.

(5) MFN for Romania and for other non-market economies provided that such non-market economies live up to the criteria the Congress may wish to establish.

(6) A meaningful program of adjustment assistance possibly financed out of a special tax levied on imports. Such adjustment

assistance program should be complementary to innovative legislation in the fields of pension reform (early retirement), unemployment compensation and manpower training as well as to conversion credits for business needing government help—all of which could ease domestic trade adjustment problems.

Such trade legislation should not include schemes to roll back existing levels of imports; rigid import quota formulas which would only serve to force higher prices on the American consumer as well as hinder the industrial evolution of the American economy; unrealistic controls over the flow of information and technology; or unchecked grants of authority to the President over which Congress has no control. I also feel that the underlying principle of our nation's trade policy should remain most-favored-nation treatment, and thus the legislation should not include measures such as a discriminatory surcharge or discriminatory tariffs. Resorting to such discriminatory measures would just erode our bargaining position on such issues as proliferating discriminatory preferences and reverse preferences.

I am convinced that the passage of forward-looking, outward-looking trade legislation is an essential ingredient if we are to see a successful Year of Europe in 1973. Such legislation, in turn, bears a direct relationship to negotiations leading to the long-term reform of the international monetary system; burden-sharing questions regarding our common defense and security; and the complex of questions involved in the relations of the developed and developing world among which are included: capital flows (public and private), better coordination of development assistance, and resource procurement with particular reference to energy fuels.

The scope of these issues is so broad that I reiterate my earlier suggestion that a multilateral summit meeting should be held in 1973 before the technical talks of trade, money, MFBR, SALT II, and the European Security Conference get too far underway. In my view, only such an overtly political summit meeting could create the climate and momentum necessary for successful technical and diplomatic negotiations.

I do not associate myself with the views expressed in the Subcommittee Report relating to the taxation of foreign income of American firms operating overseas or the recommendations regarding Domestic International Sales Corporations (DISC).

ADDITIONAL VIEWS OF SENATORS PERCY AND PEARSON; AND REPRESENTATIVES WIDNALL, CONABLE, AND BROWN

We concur in most of the major recommendations in this Report. It is important that a Report such as this, which is designated as a policy guide to the Congress, not duck the issues, and we believe that the recommendations on adjustment to import competition, the link between monetary and trade matters, and reducing tariff and non-tariff trade barriers, will continue significantly to the growing national debate on trade.

However, we believe that the sections dealing with the role of DISC and deferral of taxation of foreign-source income until repatriation are unduly simplistic and do not consider the impact of the use of comparable tax provisions by our major trading partners. Pending statistical confirmation, we believe DISC will prove to have the effect of discouraging the flight of capital overseas in marginal cases. We question the soundness of an anti-deferral policy which would force substantial repatriation of the earnings of foreign corporations owned in the United States, thus benefiting foreign multi-national corporations competitively at the expense of similar American firms.

Also, on the history of Congressional inaction on ASP, we question whether other countries will be willing to negotiate the elimination of non-tariff barriers with us on what the Report calls an "ad referendum basis." The United States must find some more binding basis for negotiations to persuade any trading partner of the seriousness of Congressional intent.

O