THE FUTURE OF U.S. FOREIGN TRADE POLICY

TUESDAY, JULY 11, 1967

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON FOREIGN ECONOMIC POLICY,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 1202, New Senate Office Building, Hon. Hale Boggs (chairman of the subcommittee) presiding.

Present: Representatives Boggs, Reuss, and Widnall; and Senators Symington, Javits, and Miller.

Also present: John R. Stark, executive director; John B. Henderson, staff economist; and Donald A. Webster, minority staff economist.

Chairman BOGGS. The subcommittee will come to order.

The Subcommittee on Foreign Economic Policy of the Joint Economic Committee today begins a series of six public hearings on "The Future of U.S. Foreign Trade Policy."

The recent conclusion of the Kennedy Round negotiations—the sixth round of the GATT trade negotiations—provides an opportunity for taking stock of our position on trade policy. It is fitting that the reassessment be undertaken by this subcommittee, which was set up in the 87th Congress, just over 6 years ago ". . . to conduct studies and hold hearings on such subjects as trade, trade agreements, international investments, U.S. imports and exports, and U.S. foreign aid." It was this subcommittee, you will recall, whose first major work was the review of trade policy that preceded the enactment of the Trade Expansion Act of 1962.

Now, a few days after the expiration of the special powers granted to the President of the United States by that act, we welcome as the lead witness in these hearings the President's Special Representative for Trade Negotiations, Ambassador William M. Roth.

In the long and arduous debates of Geneva, in crisis after crisis down to the final hours of negotiation, Ambassador Roth has acquitted himself well. His talents of persistence and patience, and even on occasion his temper, have been applied to further the interests of the United States in a liberal trading world.

In expressing our appreciation to Ambassador Roth for helping to bring the Kennedy Round negotiations to a successful conclusion, I find a suitable occasion to pay tribute to his predecessor, the late Governor Herter, who did so much to focus our attention on the need for expanding and liberalizing world trade. The public service of Governor Herter in many different offices makes us mindful that the life of the Republic gains its strength from the dutiful efforts of men like him.

The end of the Kennedy Round is a suitable occasion for a reevaluation. These hearings are certainly timely. They are also necessary. We must make a prompt beginning of a review of our thinking on issues of foreign trade. It is a matter of great importance how the Congress will form its ideas on trade policy. And we hope and expect that this initial set of hearings will lay the groundwork.

Let me repeat a statement in 1961 by George Ball who was then Under Secretary of State. In an address to the National Trade Convention, he said:

> I have been aware of a measure of agreement rarely found in these esoteric circles—agreement on the fact that we are coming to the close of a familiar era in our world trading relations and entering another that is not familiar at all.
>
> Some see this new phase as filled with opportunity and challenge. Some, on the other hand, are apprehensive. But few question the proposition that pervasive change will be the dominant characteristic of the years that lie ahead.

That, it seems to me, is still our situation.

So, in meeting this situation, we look back with the intention of guiding our aims in the future. Our purposes on this subcommittee should be—

to examine the past, not to find errors, but to take stock and learn our lessons well;

to try to foresee the changes that are imminent and to direct our efforts accordingly;

to persuade the United States to dispense with policies that are anachronistic, or which cater to outmoded demands, and to reinforce our efforts to achieve significant and necessary advances in the international commerce of nations, and of the United States in particular;

to deal plainly with the special interests of our own country in agriculture and industry, while always remembering the primary importance of the general public interest;

to give our negotiators the basis for firm and flexible bargaining with our trading partners in other countries and through agencies such as GATT; and, finally,

to keep constantly in mind the interdependence of the trading world and the need to maintain its growth and prosperity, which represents for us all the best protection.

We are very happy to have so many of the members of the subcommittee here with us this morning.

I want to thank the members of the staff who have worked very hard in putting together these subcommittee hearings, including the papers that have been prepared and edited which are available to the members of the subcommittee as well as others.

Mr. Ambassador, we are very happy to have you here this morning. I am reminded, however, that Senator Javits has a statement that he would like to present at this time. We will now hear from Senator Javits.

STATEMENT OF HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. Mr. Chairman, I had the privilege of visiting Geneva, and so I have some concept of the extraordinary work that has been done in this particular area by Ambassador Blumenthal and Ambassador Roth. I ask unanimous consent to include in the record a list of the personnel who worked on these various negotiations as a part of the U.S. delegation. It is a fairly extensive list, Mr. Chairman. But too often Americans who render such extraordinary service and such arduous service as was rendered here go absolutely unnoticed and unknown, and I think that is wrong. And with the Chair's permission I would like to include those names in the record, and express my feeling of respect and appreciation for the extraordinarily gifted service which was shown in this case which is so critically important to the security and prosperity of our Nation.

Chairman BOGGS. Without objection, the names will be included.

Senator JAVITS. I thank my colleague.

(The list referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS,
July 12, 1967.

KENNEDY ROUND PARTICIPANTS: WASHINGTON

OFFICE OF THE SPECIAL REPRESENTATIVE
- Ambassador William Roth
- Philip Berlin
- Theodore Gates
- Irwin Hedges
- Walter Hollis
- Selma Kallis
- Louis Krauthoff
- Harald Malmgren
- Bernard Norwood
- Morton Pomeranz
- Albert Powers
- Mary Jane Wignot
- Leonard Wilson
- John Rehm

DEPARTMENT OF STATE
- Anthony Solomon
- Joseph Greenwald
- Deane Hinton

DEPARTMENT OF COMMERCE
- Secretary Trowbridge
- Robert McNeill
- Allen Garland

DEPARTMENT OF LABOR
- George Weaver
- Harry Weiss

DEPARTMENT OF AGRICULTURE
- John Schnittker
- Raymond Ioanes
- Howard Worthington

DEPARTMENT OF TREASURY
- Winthrop Knowlton
- James Hendrick

DEPARTMENT OF INTERIOR
- Harry Shooshan

TARIFF COMMISSION
- Paul Kaplowitz, former chairman

KENNEDY ROUND DELEGATION: GENEVA

	Government agency
Ambassador W. Michael Blumenthal	STR (State).

OFFICERS

Adams, Leason B	Tariff Commission.
Arundale, Joseph	Interior.
Barton, Bernard	Tariff.
Birkhead, James W	Agriculture.
Brewster, Helen	State.
Brosnan, Anne	STR (Commerce).
Cruit, Anthony N	Agriculture.
Drew, Joseph C	Commerce.
Eads, Mabel	Commerce.
Fellman, David	Commerce.
Fernandez, Kenneth	Commerce.
Hamerschlag, Robert	STR (Commerce).
Hart, William T	Tariff.
Hirabayashi, Martin	STR (State).
Howe, Jeanne	Commerce.
Jones, Dallas	STR (State).
Karpoff, Edward	Agriculture.
Kelly, William B	Commerce.
Kilgore, Lowell P	Commerce.
Kirk, Northrop	STR (State).
Law, Dana	Tariff.
Lee, Roland	Tariff.
Lewis, James H	STR (State).
Lord, Winston	STR (State).
MacHatton, John	Tariff.
Martin, Edward E	Tariff.
Montgomery, Frederick	Commerce.
Musrey, Alfred G	Tariff.
Nelson, Donald M., Jr	Tariff.
Pappano, Albert E	STR (State).
Pinkney, Anne	STR (State).
Preeg, Ernest H	State.
Pritchard, Norris T	Agriculture.
Riegert, Thomas	STR (State).
Sacchet, Edward	STR (State).
Sanders, Walter L	Tariff.
Simons, Thomas W., Jr	STR (State).
Starkey, James	Agriculture.
Steward, John W	Agriculture.
Sunderland, Lawrence B	Tariff.
Thoreson, Mrs. Musedorah	State.
Thuroczy, Nicholas M	Agriculture.
Travis, Herman	Labor.
Twaddell, James	STR (State).
Vaughan, Hal	USIS.
Vernon, Mrs. Gloria	Labor.
Wiggins, Guy	STR (State).
Wolff, Ernest	Tariff.
Worthington, Courtenay	STR (State).
Worthington, Howard L	Agriculture.
Zaglits, Oscar	State.

SECRETARIAT

Bauer, Henri F.
Boone, Dorothy.
Burton, Martha Jo.
Chamberlain, Mary.
Compton, Mrs. Esther G.
Durkin, Mary.
Dvorken, Doris.
Funyak, Barbara.
Greenstreet, Mrs. Virginia.
Hartman, Becky.
Heisey, Patricia.
Holloway, Irene.
Hoyenga, Patricia.
Hughes, Mary.
Jahn, Carolyn.
Jazynka, Mrs. Jane.
Knebel, Mrs. Jerry W.
Lacock, Robert A.
Lineberry, Betty Sue.
Lini, Arleer..
Marshall, Janet.
Martinichio, Deanne.
Odom, Allene.
Paraschos, Christine.
Pfromer, Joanne.
Rockymore, Jean.
Samora, Barbara.
Sharpless, Mattie.
Slaughter, Evelyn P.
Sondheimer, Bernice.
Velarde, Margaret.
Williams, Jesse.
York, Mrs. Ethel.

Senator JAVITS. I have a very brief statement.

The hearings which are about to start are of the greatest national importance as they can set the tone of congressional and national mood toward the results of the Kennedy Round and toward future trade legislation. Our chairman, Representative Hale Boggs, is to be congratulated for the excellent care with which these hearings have been prepared and for the outstanding witresses who are to appear before us.

It would be the greatest folly to interpret the relative quiet with which Congress and U.S. industry have thus far reacted to the results of the Kennedy Round as an indication that these results will be readily accepted. We are about to face a major congressional battle on the agreement reached in Geneva on chemicals and the American selling price. The Senate Finance Committee is considering "legislative oversight" hearings involving the Trade Expansion Act and other trade legislation. I would be surprised if the agreement on an international antidumping code would be accepted by all. This happens to be something which is of very particular interest to me, as I have urged such a uniform code, and have introduced a resolution to bring it about.

Unless forces favoring trade liberalization are ready to go into battle in defense of the principle of trade liberalization on every one of these issues, much that has been gained over the past 4 years as a result of the heroic service of the team led by Ambassadors Roth and Blumenthal—and one cannot, Mr. Chairman, speak of this matter without the highest tribute to our former colleague in the House, Christian Herter, with whom both Congressman Boggs and I, and Congressman Widnall, served in the House—much of the gain which has been established could be lost. And, let's not kid ourselves—unless we have the full support of the President the chances of resisting self-interest and protectionist forces will be small.

There have been news reports that the White House is preparing new interim trade legislation and that a bill will be sent to the House by the end of the month. Such legislation is essential to show the President's determination that this country will continue on the path we have followed since the end of World War II.

And I hope that Ambassador Roth is prepared to give us some concept of the President's proposal either at this or some subsequent hearing.

There are several key elements that in my judgment should be contained in any interim trade legislation proposed by the President—and I emphasize the word "interim," as I will explain in a minute.

First, the American selling price (ASP) system should be repealed, if the package deal on chemicals proves on close examination as beneficial to the United States as present information indicates. The elimination of ASP on the part of the United States would bring with it a substantial reduction of European tariffs on chemicals we export to them and also the reduction of several nontariff barriers discriminating against American cars, tobacco, and canned fruit.

Second, the adjustment assistance provisions of the Trade Expansion Act of 1962 should be liberalized along the lines of the adjustment assistance provisions of the United States-Canada auto agreement but with the U.S. Tariff Commission retaining its factfinding powers as at present.

Third, the President should be given powers to undertake negotiations on nontariff barriers. With tariffs becoming increasingly a less important factor in international trade, nontariff barriers must now be dealt with.

And I think the testimony will show the material reduction, the overall percentage of total trade subject to tariffs which has now been affected by the Kennedy Round.

Fourth, the President should be authorized to put forward a significant trade proposal for the developing countries, particularly one calling for trade preferences, even if this would mean a modification of the most-favored-nation principle. These preferences should be conditioned on similar action by other industrialized nations and should be extended for manufactured and semimanufactured products. The United States should be ready with positive offers by the time UNCTAD meets next February, rather than to be put into the position of having to react and to reject plans offered by other nations.

It is quite clear that there will be a period of 1 or 2 years before Congress will enact major new trade legislation. It is essential that this time period be utilized fully to assess the impact of the Kennedy Round on the U.S. economy and on international trade patterns and to develop specific new proposals. I am pleased that witnesses coming through before us will begin this process and will give us their best judgment on the essential elements of new trade legislation, both of an interim kind such as I have described, and of a definitive kind.

In my judgment, the power to negotiate further trade agreements should again be delegated to the President based on stated criteria and should not revert to Congress. Congress is not equipped to handle tariff negotiations as history and experience have shown.

I also hope that witnesses will comment on the proposal I advocated during consideration of the Trade Expansion Act of 1962; namely, to give the President power, subject to congressional veto of the agreement reached, to reduce reciprocally tariffs and other trade barriers by any amount. The success of the flexible approach embodied in the Trade Expansion Act encourages me to think that we should pursue it in the future. And the problems which I find abroad, particularly as they affect Britain, make it essential in my judgment for the President to be able to negotiate a free trade area, for example, in the Atlantic, but subject to the congressional veto which may be required in order to protect fully participation by the Congress in any such eventuality.

Mr. Chairman, I thank you for your patience. I think the Chair knows that I have been very heavily involved in these matters for many years, and hence felt sure that at the opening of such a hearing as this that I would make this declaration.

Chairman BOGGS. I thank the Senator from New York. He has indeed been very closely associated with the action taken by Congress in the past on all of these subjects.

And I appreciate your statement, Senator. It is a very complimentary statement.

Do any other members of the subcommittee have statements?

Representative WIDNALL. Mr. Chairman, I would just like to congratulate Dr. Roth and his colleagues for the work that has been done over the years. It is an arduous task, and it seems to have been culminated very successfully. And I think in the next 2 or 3 years that the emphasis that Senator Javits has placed on keeping an eye on it is something that should be kept in mind.

Thank you.

Chairman BOGGS. Thank you very much, Mr. Widnall. Senator Miller?

Senator MILLER. Thank you very much, Mr. Chairman. I would like to join with my colleagues in thanking the chairman for arranging these hearings, and welcoming Ambassador Roth before the subcommittee.

As a member of the subcommittee I am naturally interested in all aspects of the GATT negotiations and the Kennedy Round in particular.

But I am also a representative of a great agricultural State quite concerned with what has happened from the standpoint of agricultural products and more particularly the access to the Common Market countries for our grain. I have heard all kinds of statements, ranging from a statement which appeared in the press attributed to Mr. Schnittker praising the results, to cries of "sellout" of American agriculture from some rather knowledgeable members of the agricultural industry.

It was pointed out that the United States gave up trying to get guaranteed access to the market of the European Economic Community because the Community's final order had "no value." I am going to be interested in knowing what this was, and what caused the evaluation that it had no value.

I went on to point out that the United Sates received a reasonable assurance that the total grain exports to the Common Market will be maintained, because production there may grow no faster than consumption, and because the Community will now have to export more grain on a new agreement between more countries.

I am naturally interested in the basis for that evaluation, and especially that production there may grow no faster than consumption.

It seems to me that this is a very fine opportunity for Ambassador Roth and his staff to set the record straight, so that if indeed there has been a favorable result from the standpoint of American agriculture we know about it. And if there is false optimism, we will know it.

So I welcome the opportunity to participate in these hearings. And I again thank the chairman for arranging for them.

Chairman BOGGS. Thank you, Senator.

Mr. Ambassador, again we welcome you.

Before you begin your statement, would you be good enough to introduce your associates?

Mr. ROTH. This is John Rehm, General Counsel of my office; Bernard Norwood, chairman of the Trade Staff Committee; and Mr. Raymond Ioanes, the Department of Agriculture.

Chairman BOGGS. Thank you. You may go right ahead with your statement.

STATEMENT OF HON. WILLIAM M. ROTH, PRESIDENT'S SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS (WITH THE RANK OF AMBASSADOR); ACCOMPANIED BY JOHN REHM, GENERAL COUNSEL; BERNARD NORWOOD, CHAIRMAN OF THE TRADE STAFF COMMITTEE; AND RAYMOND IOANES, U.S. DEPARTMENT OF AGRICULTURE

Mr. ROTH. First, Mr. Chairman, thank you very much for your good words about the negotiations and those of your colleagues. I am particularly grateful that Senator Javits put in the record the names of the members of the negotiating delegation, because a negotiation such as this is a team effort. And this was a team that worked closely and well together, and was very instrumental in putting together the final package.

Mr. Chairman, it is a great honor to be the opening witness before this subcommittee. This series of hearings reassessing U.S. foreign trade policy comes at a most appropriate moment.

The President has ordered a major review of our trade policy. The deliberations of this subcommittee, and the testimony and papers presented before it, will be of enormous benefit to us in preparing for and undertaking the study for the President.

In trying to decide the aspects of the Kennedy Round and the future on which I could most productively concentrate this morning, Mr. Chairman, I have concluded that an extended review of the Kennedy Round and its results would not, perhaps, be in order.

A great deal has already been written and said on the Kennedy Round's conclusion, and until the President's report to the Congress is completed we will not have a definitive analysis of the agreement. I would propose for your consideration, therefore, insertion in the record of our initial report on the agreement. It is a fairly detailed account of what happened. I would then focus my remarks on the immediate future, to include, first, the issues that we face as a result of the Kennedy Round and, second, the question of what we envision as the means of meeting the President's request for a major administration review of trade policy.

May I ask permission to insert the comments on the Kennedy Round in the record, Mr. Chairman?

Chairman BOGGS. Without objection, they may be included.

(The comments referred to follow:)

OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Washington, D.C.

THE KENNEDY ROUND AGREEMENT

By direction of the President, W. Michael Blumenthal, Deputy Special Representative for Trade Negotiations, signed multilateral agreements negotiated in the Sixth Round of Trade Negotiations in Geneva, Switzerland, on June 30, 1967.

The signing ceremony concluded the most comprehensive assault on barriers to international trade that has ever taken place. The negotiations were known as the Kennedy Round in recognition of the late President's leadership in inaugurating the effort.

The important elements of the Kennedy Round package are:

Tariff cuts of 50 precent on a very broad range of industrial goods, and cuts in the 30 to 50 percent range on many more.

Agricultural concessions to which the United States attaches great value because they create new trading opportunities for our farmers and because they support our contention that international negotiation on trade in farm products can accomplish something.

A world grains arrangement guaranteeing higher minimum trading prices and establishing a program under which other nations will share with us in the vital but burdensome task of supplying food aid to the undernourished people in the less-developed countries.

Nontariff barrier liberalization including a very significant accord on antidumping procedures as well as European NTB modifications in the ASP package.

Useful if limited progress on the complex and sensitive problems in the steel, aluminum, pulp and paper, and textile sectors including a three-year extension of the Long Term Cotton Textile Arrangement.

An agreement on the treatment of chemical products that deals with the American Selling Price (ASP) issue in a manner that provides major chemical traders with mutually advantageous concessions in the main Kennedy Round agreement and a separate and balanced package that makes additional concessions available to the United States if it abandons the American Selling Price system.

Significant assistance to the less-developed countries through permitting their participation in the negotiations without requiring reciprocal contributions from them; through special concessions on products of particular interest to them; and through the food aid provisions of the grains arrangement.

United States participation was made possible through authority granted the President by the Congress through the Trade Expansion Act of 1962. The late Christian A. Herter directed U.S. participation as the Special Representative for Trade Negotiations until his death in late 1966. He was succeeded by William M. Roth, who continues to serve as Special Representative.

The agreements signed June 30 comprised:

1. A Final Act, which authenticates the texts of the agreements described in paragraphs 2–5 below, and which expresses the intention of all the signatories to take appropriate steps, subject to their constitutional procedures, to put these agreements into effect.

2. The Geneva (1967) Protocol to the General Agreement on Tariffs and Trade (GATT) which embodies most of the tariff and other concessions exchanged in the negotiations.

3. An agreement relating primarily to chemicals, which provides for the elimination of the American Selling Price (ASP) system.

4. A memorandum of agreement on basic elements for a World Grains Arrangement.

5. An agreement on implementation of Article VI of the GATT, in the form of a code of antidumping practices.

It is estimated that the agreements will apply to about $10 billion of world trade. In industry, the U.S. and the other countries have agreed on cuts averaging about 35 percent. In agriculture, the average cut is less but the United States has obtained important concessions covering a substantial volume of trade.

United States tariff reductions will not enter into force until proclaimed by the President of the United States. It is expected that their effective date will be January 1, 1968. In accordance with the requirements of the Trade Expansion Act, most United States duty reductions will be made in five equal annual stages.

In overall trade terms and taking both industry and agriculture, the tariff cuts made by the U.S. are in balance with those of the other industrialized countries. In terms of 1966 trade the United States is giving tariff cuts on about $7½ to $8 billion of industrial and agricultural imports and is obtaining tariff concessions on about the same amount of U.S. exports.

None of the multilateral agreements negotiated in the Kennedy Round will require Congressional action, except the agreement providing for the elimination of the ASP system with respect to chemicals. The World Grains Arrangement envisaged by the Memorandum of Agreement on grains will require consent of two-thirds of the Senate.

Industrial Negotiations

Import duties are being cut in half on a broad range of industrial products in international trade. Cuts in the 35 to 50 percent range are being made on many more products. Categories of products on which the principal negotiating countries, including the United States, have made cuts that in the aggregate average over 35 percent include machinery, both electrical and nonelectrical; photographic equipment and supplies; automobile and other transport equipment; optical, scientific and professional instruments and equipment; paper and paper products; books and other printed material; fabricated metal products; and lumber and wood products including furniture.

Steel Sector.—Negotiations on steel were conducted against a background of tariff rates where U.S. duties are generally lower than those of other participants. These negotiations, held bilaterally and multilaterally, resulted in closer harmonization of tariffs among the major steel producing countries. Virtually all the peaks in these countries' tariffs were eliminated so that almost all rates will be no higher than 15 percent and most will be well below 10 percent.

Except for United States rates, most steel tariffs have not heretofore been bound. In the final negotiating package, however, almost all rates of other countries were bound and many were reduced.

The international harmonization of steel tariffs should also reduce the tendency for exports to be deflected to the United States market in instances where United States tariffs were much lower than those of other countries. Although the United States is primarily an importer rather than an exporter of steel mill products, lower tariffs abroad will also provide opportunities for United States exporters.

The European Coal and Steel Community (ECSC) adopted a unified tariff and agreed to reduce rates to an arithmetical average of 5.7 percent. The European Economic Community (EEC) agreed to reduce rates within its jurisdiction correspondingly so that a tariff relationship would be maintained between more highly fabricated EEC steel items and primary and less fabricated ECSC items. The ECSC/EEC concessions are a 23 percent reduction from existing rates (a 10 percent reduction from the pre-February 1964 rates on 1964 imports from the United States).

The United Kingdom is reducing most of its rates by 20 percent. Japan is reducing its rates by 50 percent except for a few alloy steel items. Sweden is binding its rates at existing low levels. Austria is harmonizing its tariffs with the ECSC/EEC at a somewhat higher level.

The United States reductions average 7 percent on 1964 imports. It is generally harmonizing its tariffs with the ECSC/EEC where they have been above those rates. United States rates higher than ECSC/EEC rates are to be reduced to ECSC/EEC levels, but no cuts are to be made where rates are now below ECSC/ECC concession levels. United States concessions take account of differences between the United States f.o.b. and ECSC/EEC c.i.f. customs valuation systems so that, nominally, United States rates would be somewhat higher than ECSC/EEC rates. Also, the differential in the United States tariff between ordinary and alloy steel is being reduced by 50 percent but is not being eliminated as complete harmonization would have required.

Aluminum Sector.—The Community offer consisted of a binding of a 130,000 ton annual quota at 5 percent. The EEC had previously bound in the GATT a 9 percent rate of duty on ingot aluminum. Some imports were allowed entry annually under a tariff quota at 5 percent but neither the amount of the quota nor the lower rate had been bound. The U.S. is making a 20 percent cut on ingot aluminum, of benefit primarily to Canada and Norway.

On unwrought aluminum (further advanced than ingot), tariff cuts by the United States averaged less than 30 percent. The EEC average cut was about one third, while the tariff cuts by the U.K. and Canada were larger than those of the EEC. Japan and other EFTA countries also made substantial cuts in the aluminum sector. Of special interest to U.S. aluminum exporters will be the adoption by Canada of an injury requirement in its antidumping legislation to conform to the new antidumping agreement.

Chemical Sector.—The chemical sector negotiations were centered on the American Selling Price (ASP) issue. European countries maintained from the start that any more than token reductions in their chemical tariffs were conditional on United States elimination of the ASP valuation system. Since elimination of ASP would require Congressional action, United States negotiators insisted that chemical concessions be implemented in two packages: first, a balanced settlement in the Kennedy Round; second, reciprocal concessions by other countries in return for abolition of ASP.

The pattern and volume of chemical trade is such that the outcome of negotiations in this sector inevitably played a major role in the outcome of the entire Kennedy Round. United States dutiable chemical imports from countries with a major stake in world chemical trade (EEC, United Kingdom, Japan, and Switzerland) were $325 million in 1964; these countries' dutiable chemical imports from the United States totaled nearly $900 million.

In the end, all major Kennedy Round participants made concessions in the chemical sector. Many concessions have been agreed on unconditionally, while certain other concessions are conditional on United States elimination of the American Selling Price (ASP) valuation system. The concessions on chemicals are, therefore, in two parts: first, the Kennedy Round chemical package, and second, the ASP package.

I. The Kennedy Round Package

Unconditional obligations undertaken in the Kennedy Round are as follows:

1. The United States agreed to duty reductions on products accounting for nearly all (95 percent) of United States dutiable chemical imports. Tariffs will be reduced 50 percent on most items with rates above 8 percent; 20 percent on items 8 percent and below. These commitments will result in a weighted average duty reduction of 43 percent in United States chemical tariffs and $325 million of dutiable imports from the EEC, U.K., Japan, and Switzerland. The combined tariff reduction made by these four countries averages 26 percent on nearly $900 million of U.S. chemical exports, and the United States retains the ASP method of valuation for benzenoid chemicals.
2. *The European Economic Community* agreed to duty reductions on tariff items accounting for 98 percent of its dutiable chemical imports from the United States. Most duties will be reduced by 20 percent. Certain items, however, will be subject to reductions of 30 percent and 35 percent, while some others will be reduced less than 20 percent. These commitments will result in a weighted average reduction of 20 percent in EEC tariffs on $460 million of 1964 chemical imports from the United States.
3. *The United Kingdom* agreed to duty reductions on virtually all chemical imports from the United States except certain plastics. Most British plastics duties are currently 10 percent, a level considerably lower than other major trading countries. The United Kingdom has agreed to reduce tariffs at rates of 25 percent and above by 30 percent, and rates below 25 percent by 20 percent. These commitments will result in a weighted average reduction of 24 percent in United Kingdom imports of more than $100 million of chemicals from the United States.
4. *Japan* agreed to tariff reductions which on a weighted average basis amount to 44 percent on dutiable chemical imports from the United States. These imports were over $200 million in 1964.

5. *Switzerland* agreed to tariff reductions which on a weighted average basis amount to 49 percent on $45 million of chemical imports from the United States.

6. *Other participants*, notably Canada and the Scandinavian countries, agreed to reductions in their chemical tariffs as part of their Kennedy Round concessions.

II. The ASP Package

The following concessions are contingent on United States elimination of the ASP valuation system:

1. *The United States* would eliminate ASP and replace rates currently based on ASP with rates that have been proposed by the Tariff Commission to be applied on the valuation as normally calculated for other United States imports and yielding the same revenue as the previous rates. These "converted" rates would be reduced, by stages, generally by 50 percent or to an ad valorem equivalent of 20 percent, whichever is lower. The principal exceptions to this formula are dyes and sulfa drugs, duties on which would be reduced *to* 30 percent and 25 percent, respectively. In addition, the United States would reduce the 8 percent and below rates subject to the 20 percent cut in the Kennedy Round package by a further 30 percent and further reduce by more than 50 percent a few other items to the 20 percent level. These reductions would provide a combined weighted average cut on United States chemical tariffs in the Kennedy Round and ASP packages of about 48 percent on $325 million of imports.

2. *The European Economic Community* would reduce its chemical tariffs by an additional amount so as to achieve a combined Kennedy Round-ASP package reduction of 46 percent on $460 million of chemical imports from the United States. Virtually all EEC chemical tariffs would be at rates of 12½ percent or below. Belgium, France, and Italy would also modify road-use taxes so as to eliminate discrimination against American-made automobiles.

3. *The United Kingdom* would reduce most of its chemical tariffs according to the following formula: Items at present dutiable at 25 percent and above would be reduced to a level of 12½ percent, for a 62 percent combined Kennedy Round and ASP package reduction. Tariff items with duties of less than 33 percent would generally be reduced by the amount necessary to achieve a combined reduction of 50 percent in the two packages. U.K. plastics tariffs which would be above the reduced EEC rate on the same item would be cut to that level and bound. The combined weighted average reduction in the level of British chemical tariffs on United States trade would be approximately 47 percent on $170 million of imports from the U.S. After these reductions virtually all British chemical tariffs would be at rates of 12½ percent or below. The United Kingdom would also reduce by 25 percent its margin of preference on imports of tobacco.

4. *Switzerland* would eliminate limitations on imports of canned fruit preserved with corn syrup.

Textile Sector.—Most importing countries reduced tariffs on cotton, man-made, and wool textiles less than their average reduction in other industrial products as a whole. The United States agreed to tariff reductions which, on a weighted trade basis, average approximately 14 percent for the three fibers. Cotton textiles were reduced 21 percent; man-made textiles, 15 percent; and wool textiles, 2 percent.

Negotiations on cotton textiles involved three elements: the extension of the Long-Term Cotton Textiles Arrangement (LTA); more liberal access to import markets protected by the LTA; and tariff reductions. The principal concessions by exporting countries of interest to importing countries was the extension of the LTA in its present form until September 30, 1970. In return, importing countries agreed to enlarged quotas under LTA provisions and to tariff reductions.

Within the context of the LTA, the United States negotiated bilateral agreements with its main supplying countries. These agreements typically provided for a 5 percent annual increase in LTA quotas, a one-time bonus for LTA extension, and certain other administrative improvements.

The United States agreed to cotton textile tariff reductions that amounted to a weighted average reduction of 21 percent. Reductions on apparel items averaged 17 percent; fabrics tariffs were reduced 24 percent; and yarn, 28 percent.

The EEC reduced cotton textile tariffs by about 20 percent. It also reached bilateral understandings with major suppliers providing for improved access to the EEC market. Noting that it already accorded liberal access for imports from Hong Kong, India, and other Commonwealth sources, the United Kingdom made token cotton textile tariff reductions toward other suppliers.

The United States agreed to a weighted average tariff reduction of 15 percent on imports of man-made fiber textiles, including fibers. Man-made fiber apparel duties were reduced by an average of approximately 6 percent, fabrics by 18 percent, yarn by 37 percent. Other countries made significant reductions on these textiles.

The United States agreed to tariff reductions on very few wool textiles. The weighted average duty reduction on wool fabric was about 1 percent; on wool apparel about 2 percent. On total wool textile imports the average duty reduction was 2 percent. Other countries made considerably greater reductions on wool textiles.

Paper, Pulp, and Lumber.— Multilateral sector negotiations were planned for paper and pulp, largely in an effort to get the EEC to make meaningful tariff reductions of interest to the Nordic countries and Canada as well as the U.S. Although some multilateral discussions were held, negotiations were essentially bilateral. A long series of discussions resulted in EEC cuts of 50 percent on pulp and about 25 percent on paper. Canada and the EFTA countries also made significant concessions on paper products exported by the U.S. In return, the United States made comparable concessions.

NONTARIFF BARRIERS

Antidumping Code.— A major accomplishment in the field of nontariff barriers was the negotiation of an antidumping code. In addition to the United States, the major participants in this negotiation were the United Kingdom, the European Economic Community, Japan, Canada, and the Scandinavian countries.

Negotiation of the antidumping code centered on the consideration of international standards. Although United States legislation is consistent with the GATT, foreign complaints were directed against United States procedures. These concerned, particularly, the frequent withholding of appraisement during antidumping investigations and the length of time taken in investigations. (Withholding of appraisement postpones the final determination of customs duties until an antidumping investigation is completed. However, imports may be released under bond from Customs' custody after appraisement is withheld.)

The antidumping code supplements the provisions of Article VI of the GATT with rules and procedures to be followed in antidumping actions. United States legislation and administrative regulations contain detailed provisions relating to the determination of sales at less than fair value and injury, but most countries' procedures lack such specificity.

The principal advantages of the antidumping code to the United States will be the adoption by other countries of fair and open procedures along the lines of present United States practices. The code will provide both an opportunity and a basis for United States exporters to defend their interests in foreign antidumping actions. In particular, the new common antidumping regulations that are being developed by the European Economic Community will conform with the code.

Of special benefit to the United States will be the adoption by Canada of an injury requirement in its antidumping legislation. The lack of such a requirement has impeded United States exports for many years.

Because the antidumping code is consistent with existing United States law, no legislative changes are required. However, the Treasury Department will revise its regulations to conform with the code. The principal change in present procedures will concern limiting the time period during which appraisement is withheld to a maximum of 90 days in most cases. Both foreign exporters and domestic importers and producers favor a reduction of the time taken in antidumping cases. Also, investigations will not be initiated unless there is evidence of injury.

Other Nontariff Barriers.—In addition to the negotiation of an antidumping code, described above, the principal nontariff accomplishment is the agreement to take action on the nontariff barriers included in the conditional chemical package, that is, the elimination for certain chemicals of the American Selling Price system of valuation by the United States, the elimination of the discriminatory aspects of automobile road-use taxes in France, Italy, and Belgium, and the modification by Switzerland of regulations on canned fruit, as well as a reduction by the United Kingdom in the margin of preference on unmanufactured tobacco.

There were also a few other nontariff achievements as a result of bilateral discussions. In the negotiations Austria agreed to eliminate the discriminatory effect of automobile road-use taxes on larger engined U.S. automobiles. Canada eliminated a restriction prohibiting imports of fresh fruits and vegetables in three-quarter bushel baskets. Canada also ceased applying the Canadian sales tax to the full value of aircraft engines repaired in the United States. The 11 percent sales tax is now applied only to the value of the repairs. In addition, Canada modified restrictive standards applying to aircraft engines repaired abroad.

Although not a subject for negotiation, quantitative restrictions were eliminated or modified by several countries. Of particular importance to the United States are the elimination of restrictions in the United Kingdom on fresh grapefruit and in Denmark and Finland on many agricultural products. Japan agreed to liberalize quota restrictions on some products.

Several developing countries specified action on various nontariff measures as part of their contributions to the negotiations. These included the introduction of certain tariff reforms, the liberalization of licensing systems and foreign exchange controls, and the elimination or reduction of prior deposit requirements and tariff surcharges.

AGRICULTURE

The United States originally set as a goal in the agricultural negotiations the same broad trade coverage and depth of tariff cut as achieved for industrial products. This did not prove negotiable, however. The European Economic Community, when the negotiations got under way, was still in the process of developing its Common Agricultural Policy. It was reluctant to make substantial cuts in the level of protection at the same time it was formulating a Common Agricultural Policy among the six members. The results of the agricultural negotiations with the Community are therefore considerably more modest than the results achieved in industry. Nevertheless, progress was made in the negotiations in reducing barriers to agricultural trade.

The United States was able to obtain significant agricultural concessions from Japan, Canada, and the U.K., the Nordic countries, and Switzerland. The EEC made tariff cuts on agricultural items of trade value to the United States of over $200 million.

No progress was made in negotiating down the trade restrictive effects of the variable levy system of the EEC. Offers made by the Community on the basis of this system were not accepted.

The agricultural negotiations were divided into so-called commodity groups and non-group or tariff items. The commodity groups included meats, dairy products, and grains. Of the commodity groups only grains yielded positive results.

Grains.—A new grains arrangement was negotiated that establishes a minimum price for U.S. #2 hard red winter ordinary wheat f.o.b. Gulf ports at $1.73 per bushel. This represents an increase of about 21.5 cents per bushel over the equivalent minimum price for U.S. hard red winter ordinary under the present International Wheat Agreement. There will be a comparable increase in the minimum price of other grades and qualities of wheat under the new arrangements.

Market prices are currently above the minimum prices of the new arrangement but the new minimum prices should establish an effective floor under U.S. wheat exports for the three years of the arrangement. Adequate provision is made for adjusting differentials for various grades and qualities of wheat as required if trading prices should fall to the minimum. There is nothing in the arrangement that will prevent U.S. wheat from being priced competitvely, as required.

Participating countries have agreed to contribute 4½ million tons of cereals to a multilateral food aid program. The U.S. share of this program will be 42 percent of the total, or slightly less than 2 million tons. Importing countries as a whole will contribute about 2 million tons of the total. The grains arrangement thus represents further progress toward one of the United States' key objectives of foreign aid, the multilateral sharing of the food burden.

Meat and Dairy Products.—During most of the Kennedy Round, the countries principally involved in world trade in fresh, chilled, and frozen beef and veal, and in butter, cheese and dry milk, sought to negotiate general international arrangements for these products. The purpose of these negotiations was to provide for acceptable conditions of access to world markets in furtherance of a significant development and expansion of world trade in agricultural products, consistent with the principle agreed by the GATT Ministers at the outset of the negotiations. Although these negotiations continued until late in the Kennedy Round, it was not possible to work out an acceptable multilateral arrangement. Countries then shifted to bilateral negotiations, through which they were able in some cases to negotiate improved access to important markets.

The U.S. made no offers on fresh, chilled, or frozen beef or veal. The duty on canned ham was bound but no reduction made. No offers were made on any products subject to section 22 quotas, including butter, dry milk and certain types of cheese. On certain non-quota cheese, cuts averaging 13 percent were made.

Agricultural Tariff Items.—The United States achieved a wide range of concessions from its principal negotiating partners which should improve the export opportunities for such products as soybeans, tallow, tobacco, poultry, and horticultural products, including citrus and canned fruit.

In particular, the United States and Canada negotiated a balance of agricultural concessions covering a substantial range of products.

THE DEVELOPING COUNTRIES

The United States negotiated with the developing countries on the basis of the plan adopted by the Trade Negotiations Committee. One of the objectives of the negotiations, that of reducing barriers to exports of developing countries to the maximum extent possible, was taken into account in the plan. The plan also took into account the Ministerial Decisions to the effect that developed countries could not expect to receive full reciprocity from the developing countries in trade negotiations and that the contributions of developing countries should be considered in the light of the development, trade and financial needs of those countries.

Accordingly, the United States made concessions of benefit to developing countries, including non-participants, which cover over $900 million of their exports. Included in these concessions will be the complete elimination of the duty on more than $325 million of imports from these countries. Moreover, the elimination of duties on $45 million of these products do not need to be staged over a four-year period and thus meet one of the more important desiderata of the developing countries. Since many of the concessions on tropical products were negotiated in the context of joint action by industrialized countries, the total benefits which developing countries will receive were further increased.

Ten developing countries made concessions benefiting the United States, and these concessions will be appended to the Protocols as the schedules of these countries in the General Agreement.

Mr. ROTH. And then I would like, Mr. Chairman, to say just a few words on the Kennedy Round.

I think it is true that so far there has been a good reaction from industry and from labor on the Kennedy Round to the extent that they know what was achieved. It has now been fully made public what the cuts in our tariffs have been. And there has been made public in a more general way what we have received from other countries. Until, however, we have made the complete analysis the whole picture will not be seen.

But out of this I think two things have become clear and have been recognized. One, that we have a reciprocal deal and that we did not give more than we received; and, two, that we took particular care to be sure that those industries that were particularly sensitive to import competition were protected.

In our initial presentation to American businessmen last Friday before the chamber of commerce, I think the discussion indicated that there was an acceptance in large part of these facts.

Briefly, what we achieved out of the Kennedy Round was, first, as I said, a reciprocal deal, including something of benefit to agriculture. For the first time in a major trade negotiation something of benefit to agriculture was achieved.

And then, Senator Miller, I would like to have the opportunity during questioning time to comment in some detail on the problems you raise.

We also achieved a very full agreement with Canada in which tariffs were sharply cut on both sides of the border. In many areas where our tariffs were under 5 percent we in effect went into free trade. In an area of particular export interest to the United States, production machinery, the Canadians made sharp cuts, from 22½ to 15 percent in the tariffs.

We negotiated a wheat agreement--which again, Senator Miller, goes back to your question—which I think will prove to be of substantial benefit to American wheat producers. Representatives of those producers were with us in Geneva at the time of the final negotiation and worked closely with us.

Finally, a first major breakthrough in the area of nontariff barriers—we negotiated an international code on dumping. And, Mr. Chairman, I would like to read two paragraphs from what I said to the chamber of commerce the other day on this subject, because it is a critical one:

> A major acomplishment was the negotiation of the antidumping code, committing other countries to fair and open procedures along the lines of the present United States procedures. The new common antidumping regulations that are being developed by the European Community will conform with the code. Of special interest to the United States will be the adoption by Canada of an injury requirement in its antidumping legislation. The lack of such a requirement has impeded American exports for many years.
>
> For our part, we have agreed to certain useful refinements of the concepts we presently use in our antidumping investigations, once preliminary measures are taken against allegedly dumped imports. I would emphasize, contrary to what you may have read in the newspapers lately, that all our obligations in this agreement are consistent with existing law, and in particular that we have not agreed to the simultaneous consideration of price discrimination and injury.

And finally, before leaving the Kennedy Round, let me say that I think many of us who worked in this have felt that one of the great advantages of a successful Kennedy Round was that we averted something quite terrible—that is, a failure. If there had been a failure, I feel—and I think all of us who worked in this felt—that it would have set back the growth of a liberal world trade policy many years. And therefore we are grateful that it was, in the final analysis, possible to put such an agreement together.

Having said this, I would then focus my remarks on the immediate future, to include, first, the issues that we face as a result of the Kennedy Round and, second, the question of what we envision as the means of meeting the President's request for a major administration review of trade policy.

If this approach is agreeable to you, Mr. Chairman, I will proceed to the discussion of our immediate post-Kennedy Round problems.

Chairman Boggs. Go right ahead.

Mr. ROTH. These problems are essentially three:

1. The negotiating authority of the Trade Expansion Act of 1962 has expired, leaving the United States without an important means of conducting its normal international trade relations.

2. The criteria for making available the adjustment assistance provided for the Trade Expansion Act appear to be so stated as to make such assistance more difficult to obtain than we had originally expected.

3. In order to bring into effect a valuable package of concessions worked out during the Kennedy Round, Congress is to be asked to agree to the abandonment of the American selling price system of customs evaluation.

NEED FOR NEGOTIATING AUTHORITY

In regard to negotiating authority, we do not contemplate any further major initiative in trade liberalization in the immediate future. With the Kennedy Round just over, we believe that the present need is for review and reflection in preparation for any renewed effort to stimulate and expand international commerce. A major review of trade policy will be undertaken for the President.

Nevertheless, some minimal negotiating authority is needed during this period.

May I take an example. Under section 351 of the Trade Expansion Act—the so-called escape-clause provision—the President has authority to increase a duty or to impose a quota if he determines that such action is necessary to prevent or to remedy serious injury to a domestic industry that is caused by increased imports that in turn have resulted from tariff concession.

Under the established international rule, we would be obliged to see that some further adjustment was made to compensate the supplying countries for their loss through this emergency action of the tariff concession. The preferred method would be to lower one or more tariffs on other goods imported into the United States. If we were not able to make such compensatory tariff concessions, we would have to face the retaliatory withdrawal by the supplying countries of tariff concessions which they have granted on goods which we export to them.

In order to be in a position to make compensatory tariff concessions in connection with the escape-clause actions which we may have to take, we should have authority under the TEA to negotiate compensatory tariff settlements.

Let me take one more example. There may be times in the future when we may wish to revise upward one or more tariff concessions. This has been necessary in the past when legislation has been enacted to change tariff classifications, with the effect of increasing duties. Although these cases may be rare, they do pose the problem of negotiating a settlement with the other countries. Just as in the example I cited above, there are two basic alternative adjustments that may be made: to lower one or more of our duties on other products in compensation to the other countries, or to face retaliatory tariff increases against our exports. Our preference is obviously to negotiate for compensatory tariff reductions. This again makes desirable the existence of some negotiating authority.

The GATT rules have brought a large measure of order into international trading relations. The cost of the obligations they place upon the United States are far outweighed by the benefits we derive, as the world's biggest trader.

It is in order to maintain our GATT obligations, and to be able to act with initiative and flexibility within the GATT framework, that we need some negotiating authority. It need not be very substantial. It has been suggested, although no final decision has yet been taken, that the Trade Expansion Act negotiating authority simply be extended for 3 years, giving us the use of that part of it that was not exhausted in the Kennedy Round.

Adjustment Assistance Modification

Turning to the adjustment assistance question, we find ourselves dealing with the probability that the Congress, in writing the provisions of the Trade Expansion Act, intended far more readily available recourse to adjustment assistance than has proved possible.

These provisions were designed to authorize quick and substantial assistance to any worker or firm injured as a result of increased imports caused by tariff concessions. The underlying concept was that rather than restrict imports it was far preferable to help firms and workers meet problems created by import competition through improved productivity.

Unfortunately, however, the adjustment assistance provisions have not had the expected beneficial effect because in practice the present test of eligibility to apply for the assistance has proved too strict. In fact, in no case brought under the act have any firms or workers been able to prove eligibility.

The present test of eligibility requires (1) that tariff concessions be shown to be the major cause of increased imports, and (2) that such increased imports be shown to be the major cause of injury to the petitioner.

In the complex environment of our modern economy, a great variety of factors affect the productive capacity and competitiveness of American producers, making it virtually impossible to single out increased imports as the major cause of injury. In fact, it has usually been impossible to prove that tariff concessions were the major cause of increased imports.

Under these circumstances, it is apparent that action must be taken to make the intended assistance a reality. We now have under consideration several formulations that might meet the requirements of the situation. No final decisions have yet been taken, but it is the intention of the administration to propose congressional action to modify the present provisions of the act.

The new test of eligibility would insure that adjustment assistance would be available only in those cases of injury which are the result of tariff concessions. The specific kinds and levels of benefits would remain unchanged.

Also unchanged—and this is important, I believe—would be the provisions for relief for entire industries—as distinguished from individual workers and firms—which suffer serious injury through tariff concessions. The so-called escape clause makes possible the imposition of quotas and increased tariffs. However, this is a drastic form of relief and one which costs other industries either tariff protection at home or export opportunities abroad, as I have suggested in my earlier discussion of GATT provisions for compensation and retaliation in the event of increased tariffs. We believe that the standards for escape-clause relief should be retained in their present form.

After this rather summary discussion of the first two of the three post-Kennedy Round problems, I would like to go into more detail on the question of the American selling price system (ASP) which, as Senator Javits has indicated, is one of the most controversial we face, and, as I have said, will be a matter for congressional consideration.

The ASP Issue

ASP, as it applies to chemicals, is often referred to by critics abroad as the symbol of nontariff barriers. I should like to confine my comments to only three aspects of ASP—why it apears to us to be an undesirable impediment to trade, what the effects of its removal will probably be, and, finally, how we appraise the balance of what we gave and received in this area in the recent trade negotiations.

In 1922 the Congress determined that our then infant chemical industry, specifically that part of it which manufactures products derived from coal tars, required extraordinary protection. The Congress was apparently reluctant to raise the statutory duties to the levels it deemed necessary to provide adequate protection under the circumstances then existing. Instead, the Congress provided that any imported coal tar product, now referred to as benzenoid, which is competitive with a similar domestic product should be valued on the basis of the latter's American wholesale price. This statute has remained in effect for 45 years, although the American chemical industry has grown rapidly since then and is today one of the largest and strongest not only in this country but in the world, and even though coal tars are now less frequently involved, the major raw materials now being byproducts of our petroleum industry, itself the largest and probably most efficient in the world.

This system has long been criticized by other countries, and for various reasons. Some of them can be summarized as follows:

1. It provides extraordinary protection, both in comparison to the duties which now apply to other U.S. industries and in comparison with duties in effect abroad. The statutory rates for benzenoids alone are already higher than those applying to most other products entering the United States and higher than those typical of other nations' tariff schedules. When further applied to American wholesale prices, these rates produce effective rates often many times higher than the apparent duty. Some are actually above 100 percent and the peak, as recently determined by a Tariff Commission study, is 172 percent.

2. The system is inconsistent with the customs practices of all our trading partners for nonagricultural goods. Moreover, it would be in violation of the standards of customs valuation laid down by the General Agreement on Tariffs and Trade. But for the fact that its use in this country antedates our adherence to the GATT and was made permissible under a "grandfather" clause.

3. Under the ASP system a domestic manufacturers has unique and unfair advantages. Within the limits of the effectiveness of competitive forces in the U.S. market, a manufacturer can adjust the level of his tariff protection against his foreign competitor by the wholesale price he sets for his product. Moreover, if he is not actually making a product "like or similar" to one currently imported, he can decide to produce or merely to "offer to sell" a "like or similar" product and thereby he triggers an increase, usually substantial, in the tariff wall that imports must surmount.

4. The foreign exporter of a product potentially subject to ASP, consequently, cannot know at the time he signs a contract and ships the product whether it will be subject to ASP nor what the ASP will be until it has passed through our customs. This uncertainty as to the amount of duty is a burden on trade with no counterpart in the vast bulk of other international commerce in industrial goods.

The normal method of valuation, I might add, which applies to virtually all other U.S. imports as well as to imports into all other countries is export value, that is, the wholesale price of the product as offered in arm's-length transactions in the country of origin. For the reasons I have cited and the fact that this particular system deviates so sharply from the common practice, other countries consider it an unjustified anomaly in our trade policy. From the very beginning of the negotiations they made it a major issue, even though we made it crystal clear that we had no authority to change it under the authority of the Trade Expansion Act.

Because of the validity of those complaints and because our national stake in world trade in chemicals is so large—we export some $2.7 billion in chemicals and our net export surplus is no less than $1.8 billion—so that we have much to gain from liberalization of barriers throughout the world in this industry—we undertook a series of intensive studies of this issue over a 2-year period. And now I come to my second point, what the effects of the removal of ASP and its conversion to the normal basis of valuation would be.

Effects on Chemical Industry

I recognize that there are those who would have the Congress and the public believe that the economic effects on this industry would, and I quote, be "disastrous." So serious a charge properly merits a painstaking examination. I am sure when the Congress examines the legislation which the President will be submitting that a vital and objective review of all the facts will be made. We shall at the appropriate time provide all of the reasons we have found that lead us to conclude that no disaster lies ahead. I can understand the self-interest of those who have benefited for 45 years from an extraordinary system of tariff adjustment and from the very high level of protection it creates in perpetuating that system. Nevertheless, the national interest and the posture of our trade policy throughout the world requires a full evaluation of all pertinent considerations.

Very briefly, what our studies found was a remarkable record of growth and a well below average problem with imports. And, I might add that the studies were based on evidence submitted by the industry in four separate public hearings, two of which dealt entirely with the ASP issue, as well as on extensive consultations with firms in the industry.

Let me cite but a few figures, both for all of the chemical industry and for that portion protected specially by ASP. It is not always meaningful, I should note, to attempt to concentrate only on the benzenoid portion of the chemical industry. Useful data are not always available for benzenoid activities only. Perhaps more important, we found that some of the major chemical companies—large, integrated, and diversified firms—also dominate the benzenoid sector, though their benzenoid production and sales are often but a small fraction of their total corporate activity. In such cases it is not reasonable to examine only the small fraction and overlook either the largest area of their activity or the close interrelationships between the parts.

We found that in 1964, the base year for data for our negotiations, the chemical industry sold products worth $36 billion of which $3 billion were protected by ASP. ASP imports, in turn, were $50 million, of which only about half were deemed by the Customs Bureau to compete with American-made chemicals. This works out to an import "penetration" less than 1 percent of our domestic market for competitive products, far below the national average for all manufacturers.

We found further that not only has the chemical industry generally been one of our fastest growing industries, as is well known, but also that its benzenoid segment has a growth record—overall from 7 percent to 8 percent per year—that is impressive indeed. I probably need not detail our export record in chemicals. The average increase has been no less than 10 percent per year. We have not only the significant export surplus I noted earlier, but a surplus with each of our major trading partners—with Japan, with Canada, the EEC, and the United Kingdom.

Our chemical exports, further, have grown even faster than average into those foreign markets where the local firms have an advantage over our producers by virtue of customs unions or free trading areas, such as the EEC and the EFTA nations. Our share of the EEC import market, for example, is equal to that of Germany, our strongest competitor and one with favored tariff treatment in selling into the other EEC member states.

The picture for benzenoids alone, though the figures are less complete, is much the same. Our exports in 1964 probably exceeded $300 million. We exported at least six times as much as we imported or better than a tenth of production. We exported more than we imported, substantially more in most cases, in each of the major benzenoid product groups—in intermediates, in dyes, in pigments, to name the presumedly more sensitive ones, and clearly more in those groups where our competitive strength is seldom called into question—in plastics, in pesticides, plasticizers, and surface active agents.

We also found great concentration of production and sales in the hands of a few large firms. While small firms, often specializing in a few products or special services, are found in many benzenoid product lines, we also found, for example, that five integrated and diversified companies account for two-thirds of total U.S. production of benzenoid intermediates. Imports of all intermediates, by the way, were less than 2 percent of sales in 1964, and exports were well in excess of $100 million.

Much has been and undoubtedly will also be heard about our dye industry, which is also protected by ASP. We found that four firms make more than half of all sales in our domestic market and 10 have three-quarters of the total, that sales have experienced an average growth of 8 percent per year, and that imports of competitive dyes were again less than 2 percent in 1964.

Another area of which much has been said is the pigment sector of this industry. Here we found that a single large firm has 25 percent of all sales; another four bring the share up to 60 percent of the market. Again, the growth rate has been well above the national average. Imports were almost all deemed not competitive with U.S. pigments and barely accounted for 1 percent of total consumption.

These are but a few of our specific findings. In reaching our conclusions both on conversion of the ASP system and on the rate reductions that we negotiated in the Kennedy Round or those we shall be submitting to the Congress, we applied the same standards as we observed in determining the reductions we could offer on all other products of American agriculture and industry. We examined carefully all available evidence on the individual companies and their workers, the prospects for future growth, the ability to adjust to increased competition, and the potential for benefiting from new opportunities to expand exports. We reached a judgment on whether tariff reduction would cause serious injury and whether the industry has the competitive strength to adjust to such concessions, taking into account the adjustment provisions of the Trade Expansion Act. In the end we found that most parts of the benzenoid industry would not be seriously injured by elimination of ASP and reduction by 50 percent in the equivalent duties computed on the normal basis of valuation. For others, we found that elimination of ASP would have no adverse effect, but that reduction of duties by 50 percent would. In such cases, we have proposed lesser tariff reductions.

I cannot leave this subject without taking note of the criticism which has been made of the manner in which we achieved a satisfactory negotiation of the ASP issue. We insisted, you may recall, that any negotiation would have to be separate and distinct from the chemical negotiations in the Kennedy Round, so that the Congress would have a full and free opportunity to judge the issue on its merits and to determine, as well, whether reciprocity would be obtained in return for abolishing the system. We also insisted that a satisfactory balance of concessions in chemicals be achieved within the Kennedy Round in keeping with the purposes of the Trade Expansion Act, as well as to prevent "overloading" the separate ASP package and thereby impair the free deliberation of its merits by the Congress.

These results were not easily achieved. Until virtually the last week our negotiating partners refused to spin off, so to speak, what they considered to be a major negotiating objective or to pay additional coin in return for its elimination. In the end, however, we were able to achieve a separate ASP package, as well as a balanced deal within the chemical sector in the Kennedy Round.

BALANCE OF BENEFITS

This brings me to my third point. A proper appraisal of the benefits gained and given in a trade negotiation necessarily involves a composite judgment based on the nature and volume of the trade subject to concessions, an evaluation of the potentials thereby created for future trade expansion, and on the depth of the concessions made. Combining all these factors, the United States negotiated a balanced exchange with each major participant within the Kennedy Round while retaining ASP and, should the Congress approve legislation eliminating ASP, we shall obtain further valuable concessions both to the chemical and other industries. Together, the two packages commit the major nations to make the same average overall percentage reductions in chemical tariffs and to eliminate significant nontariff barriers against the trade of their partners.

In each of the two packages, the concessions received by the United States cover a substantially larger volume of our exports than the volume of imports on which concessions were granted. Taking into account both trade covered by concessions and the depth of the concessions, the United States thus stands to benefit on balance in each package. This positive balance also holds in our bilateral trade with each major participant. Our chemical industry, in short, stands to derive substantial benefits.

We should derive substantial benefits not only on balance but, critically, in the areas where it most counts. Foreign tariffs on our most rapidly growing export products will be drastically reduced, while the exceptions to a 50-percent concessions by others should not adversely affect our future trade to any significant degree.

If ASP is eliminated, our negotiations will result in tariffs abroad being uniformly reduced to extremely low levels, thereby providing very considerable opportunities for our chemical industry. With very few exceptions, there will be no rate in the United Kingdom or in the EEC above 12.5 percent. Tariffs on plastics, for example, will almost all be 10 percent or less in the rapidly growing EEC and United Kingdom markets if ASP is eliminated. In 1964 we exported nearly \$150 million of plastics to these two markets alone. Another of our burgeoning overseas markets is in organic chemicals, other than plastics. The United Kingdom here will bring its many 33⅓-percent rates down to 12.5 percent. Some \$50 million of U.S. exports of organics go to the United Kingdom alone. The EEC, in turn, will be cutting by nearly 50 percent on an even larger volume of our exports.

Most Japanese duties will be below 15 percent, as will Canadian rates. By comparison, U.S. tariffs in certain key benzenoid sectors will still be 20 percent, while sulfa drugs will be 25 percent and dyes and pigments will be dutiable at 30 percent, substantially above comparable rates in other countries.

We are confident that rates such as these will provide a sufficient level of tariff protection for the U.S. benzenoid industry, a strong and efficient industry with a demonstrated record of international competitive ability. On the other hand, the concessions we have gained should permit it, in turn, and the rest of the chemical industry as well to continue to expand significantly their already substantial export surpluses.

Looking Forward

Now I would like to turn briefly to the far more distant future.

There are many ways the United States could move on from the Kennedy Round. We could simply seek another general round of tariff reductions. We could pursue specialized negotiations on certain products, or with certain countries. We could concentrate on some, or on all, nontariff barriers. There is a very wide range of alternatives.

The President has asked, as I said, for a major study of U.S. trade policy to determine which courses of action would be desirable in the coming years. This study will give us all a chance to catch our breath and to give close scrutiny to the likely effects of the Kennedy Round, while evaluating what remains to be done. It is my hope that Members of Congress will take an active interest in this study.

The range of issues which will require careful thought, and on which we shall be seeking your advice, is wide.

Many of these issues relate to the special trade problems of the developing countries. These countries are acutely conscious of the need for expanding their exports, and have been pressing in recent years for a new, general kind of discriminatory treatment. As you know, what they want is preferential access for all developing countries into all major industrialized countries. Such a step would, the developing countries claim, give them reasonable opportunity to export, while putting all of the developing countries on an equal basis. These countries have pressed their desire for preferences very hard, and many developed countries now appear to be willing to provide such preferred access. The President indicated at Punta del Este that he was willing to consider whether a common effort among the developed countries was desirable and feasible. Exploratory discussions along these lines are now underway in the OECD.

Meanwhile, proliferation of special trading arrangements between developed and developing countries continues. These arrangements tend to harm many countries while favoring only a few, and thus threaten to offset many of the good effects of most-favored-nation tariff reductions such as those most recently achieved. Proliferation of discrimination, if carried further, could hurt, most of all, the developing countries themselves, with a chosen few receiving modest benefits from certain highly industrialized countries, and many others being left as orphans. Somehow, we feel, a way must very soon be found to halt this trend.

Looking at trade more generally, tariffs will in the future be much lower, and in a number of cases remain only at nuisance levels. And as I said, in the case of Canada, we have actually gone to free trade in many areas. And this raises a fundamental question of approach. Should future trade negotiations adopt the same across-the-board basis as the Kennedy Round, or should they be focused upon particular commodities, as Eric Wyndham-White, the Director General of GATT, has suggested.

In the agricultural field, tariffs are becoming even less important relatively to other impediments or artificial stimulations to trade. We must try to see if the United States can obtain significant liberalization of agricultural trade for our exporters, because we are quite aware that in the Kennedy Round we made a start, but only a start. But at the same time we shall have to ascertain what present U.S. protection we might have to give up to buy such liberalization. In trade, as you know, nothing is free. A major effort may be needed to limit the use of export subsidies, especially in countries where high price supports are in operation.

One of the most difficult, complex, and far-reaching areas with which our future trade policy must deal is that of nontariff trade barriers. The obstacles to the unimpeded, nondiscriminatory flow of goods other than tariffs take many forms. Moreover, they have very deep roots in the fiscal, social, and economic policies of each nation and by that token can be only slowly and painfully removed through international negotiations. Their impact on trade and their distorting effects on international competition are often not readily apparent, which makes them all the more arduous to negotiate and eradicate.

A difficult question, therefore, that we will face is what of our own NTB's we shall be prepared to give up in exchange for the dropping of other nations' barriers.

As part of our study, we will attempt to compile a complete index and analysis of all nontariff barriers, both foreign and domestic. In this effort, we will be seeking the cooperation of business and of agriculture. We are pleased to find that the national chamber of commerce has recognized the inadequacy of data in this field and is working on its own compilation.

It may well prove useful to us in this project, as well as in other aspects of our study, to hold public hearings.

There is need again for careful thought about what can and should be done toward improving American export performance. In particular, we must see whether American exporters are disadvantaged in any way in comparison with foreign exporters working under the benefit of their government's export programs or tax systems. We need to consider whether new U.S. export incentives are feasible and consistent with orderly development of world trade. At the same time we should consider what actions may be necessary to control the unjustified use of export incentives by other countries.

Export incentives are only one aspect of export performance. A good deal more thought is needed concerning the relationship between exports and foreign investment by American firms. We shall also need to know more about the extent to which tariffs will act as an incentive to invest abroad to get behind tariff walls despite the Kennedy Round reductions. The trade flows within major international firms, many of which have lost their national identities, is another area about which we need to know much more. The worldwide flow of technology, investment, and trade within some industries may very well provide appropriate conditions for free trade in the products of those industries.

The many interrelationships between trade and investment in economic growth and development today have another crucial bearing upon our trade policies. As the importance of the truly international corporation grows and the two-way flow of trade, capital, and technology accelerates, what is done in one field or in one geographic area inevitably affects our policies and our performances in others. If, for example, we would have other countries welcome our subsidiaries and our steadily growing direct investments, and if our investors abroad are to expect continued equal and reasonable treatment, then we must see to it that the legitimate economic interests of other countries are also taken into account in the determination of our own policies here at home. An industry with as large and promising a stake in foreign markets as the chemical industry, for instance, should be aware of the intensity of the grievances abroad over the tariff barriers we have erected against the chemical products of other countries.

Domestic Adjustments

We must give further thought to means by which our domestic economic adjustments to increased trade are facilitated. It is clear that improved adjustment assistance provisions are needed to ease the plight of those adversely affected by increased imports resulting from concessions which are of more general benefit. There has been a tendency in the past to turn to protectionism when economic dislocations threatened to occur. Ad hoc measures to protect certain products may continue to be needed from time to time if emergencies come about. On the whole, however, if international trade is to be further expanded, the beneficiaries of this trade, including the United States, must strenuously resist adoption of special protectionist devices. At home we shall have to give much thought to finding the desirable balance-of-trade promoting, and protective devices designed to ease the process of economic dislocation. And finally, we should have another look at existing restrictive programs to see whether they can be adapted to the 1970's, or whether they should be gradually phased out.

In these remarks, Mr. Chairman, I have touched upon some of the problems which need to be studied in coming months. There are many more which need to be studied because, as you know, trade policy is extremely complex. In order to grasp this wide range of issues we are planning to establish a number of task forces within the executive branch, which will include consultants from universities and from industry. We intend to maintain close ties with various industry, labor, and agricultural groups around the country. Most important, we welcome your active interest in all aspects of the trade policy investigation.

Our intention is to consult Members of Congress as we proceed with the study for the President, as we did in the Kennedy Round. New steps, as Senator Javits suggested, inevitably require legislation, making it a matter of paramount importance that the views of the Congress be fully considered in the formative stages of recommendations. In this way, we can plan new steps toward increased world trade and prosperity, with the knowledge that our policies and our actions represent the best interests of the Nation as a whole.

The Kennedy Round was only a step in the march toward freer world trade. And the goal of world economic benefits must be pushed vigorously.

Thank you very much.

Chairman Boggs. Thank you very much, Mr. Roth.

For the purposes of the record I ask unanimous consent that the statement by Mr. Schnittker, Under Secretary of Agriculture be included in the record.

Without objection, it is so ordered.

(The statement follows:)

STATEMENT OF JOHN A. SCHNITTKER, UNDER SECRETARY OF AGRICULTURE

Mr. SCHNITTKER. Mr. Chairman, I am pleased to have the opportunity to report to you on agriculture in the Kennedy Round because I have a very definite personal interest in this trade negotiation and in agricultural trade policy issues, and in Kennedy Round problems. As you know, during the final weeks of negotiation I headed our agricultural contingent in Geneva. This has been interesting and rewarding work. It is work, I might add, which is vital to the improvement of farm income in the United States. Exports of farm products constitute a large and growing part of our sales. This year they will reach a new record of $6.8 billion or more. We think a total of $8 billion by 1970 is a probability, and we see $10 billion by 1980 as a distinct possibility.

Many factors enter into export expansion, but the one vital factor is access to world markets. The Kennedy Round has given us better access to our foreign agricultural markets. Concessions won at Geneva will mean substantially larger sales for many of our farm product exports.

We gained considerably in fruits and vegetables, oilseeds, tobacco, variety meats, tallow, and a number of other products. The concessions granted by others covered over $900 million in their imports from the United States in 1964. On products accounting for over $700 million—where we have an important export interest—duties were cut. These cuts averaged over 40 percent.

The Kennedy Round has also given us a new grains arrangement which will provide additional price insurance to U.S. wheat producers. This arrangement contains, also, significant food aid provisions, completely unprecedented in any multilateral accord of which I am aware. Apart from their intrinsic humanitarian worth, and this in itself is adequate justification for them, these provisions should open new commercial outlets for wheat and to some extent, feed grains.

U.S. duties on some products also came down and imports can be expected to increase moderately. Duties covering around $500 million were cut by an average 39 percent. The existing duty or duty-free status of an additional $290 million was bound against upward change. Many of these concessions relate to tropical products which we do not produce. They were granted for the benefit of the developing nations. Bargaining is never completely without pain, however; some of our producers will be exposed to increased competition, and some to sharper competition than others. To my knowledge, though, no producer will be exposed to serious economic injury.

To be able to report this much success is a pleasure. But I would be less than frank if I did not hasten to say that I also have a sharp feeling of disappointment. In this negotiation we were unable to improve our position with respect to the EEC variable levy system. That system, which insulates home producers from the effects of outside competition regardless of the difference in efficiency, is perhaps the greatest unsolved problem in international agricultural trade today.

Now let's look at some of the specifics:

Grains

The bargain struck in grains has been discussed to a considerable extent in recent days so I will review only the highlights, the most important of which is that the grains arrangement is good for American agriculture in spite of the fact that we didn't get the guaranteed access we sought.

Pricing provisions will raise the world price floor from the current level by 23 cents a bushel. The "reference wheat" is No. 2 Hard Winter wheat, ordinary protein, gulf location. This increase gives U.S. wheat farmers additional price insurance. The current $1.50 minimum under the existing International Wheat Agreement relates to about $1.15 a bushel at the farm, whereas the new minimum of $1.73 relates to $1.38 at the farm. Obviously we have helped our farmers.

Food aid provisions of the agreement call for the industrialized countries to provide the less-developed countries 4.5 million metric tons a year. Helping the less-developed countries was one of the objectives of the Kennedy Round. I have mentioned that we reduced and eliminated duties on many of the products which they have to sell—this was a major contribution by the United States. The food aid provisions of the grains arrangement are another major contribution. Hopefully this program will form the nucleus of a larger and truly multilateral attack on hunger in the world. Moreover, because importing industrialized countries will furnish 1.9 million tons of the 4.5 millon ton program as wheat or feed grains, our farmers should enjoy some expansion of their foreign commercial trade.

Let me point out in this connection that we set a new all-time record for commercial exports of wheat and wheat products in the marketing year that ended June 30, 1967. In that year we sold for dollars some 430 million bushels—94 million more than last year.

Our total wheat exports for the year are expected to be in the neighborhood of 735 to 740 million bushels—just about equal to our target. A decrease in Public Law 480 has been balanced by the increase in commercial sales.

All this is evidence to me that we are moving in the right direction. We prefer to sell for dollars whenever we can. The developing countries would prefer to buy their grain for dollars whenever they can. The sharp expansion of dollar sales shows that we can move—that we are moving—toward sounder trade patterns, greater self-help on the part of the developing nations, and increased sharing by other countries.

To my mind, the extent to which we expand food exports for dollars is one measure of our success in helping the developing countries meet their food problem. Conversely, an expanding need for Public Law 480 food, other than needs growing out of emergencies, should be cause for concern.

A negotiating conference to work out an International Grains Arrangement will be held in Rome on July 12. The new pact is expected to replace the existing International Wheat Agreement, substantive features of which will expire July 31, 1967.

Oilseed and related products

We did well on oilseeds. Japan cut the duty on soybeans by 54 percent, and on safflower seed by 50 percent. These are significant cuts. Japan's soybean trade had a value of $151 million in 1964 and safflower seed $22 million.

The United Kingdom completely eliminated its Commonwealth preference on soybeans. Our exports in 1964 were worth over $19 million.

Concessions we gave other countries in this category had an aggregate value of around $41 million. We are not major importers of oilseeds or oilseed products.

Livestock and meat products

We got many useful concessions on the products we export in this sector. The EEC cut its duty on variety meats from 20 to 13 percent ad valorem, eliminated its low duty on inedible tallow and cut the duty on edible tallow. Our sales of variety meats to the EEC amounted to $31 million in 1964, our sales of tallow to $36 million. Japan reduced its duty on tallow from 4 to 2.5 percent. Our sales here amounted to $35 million. Altogether these concessions amounted to a trade of $140 million. The United Kingdom cut its duty on variety meats from 20 percent to 10 percent ad valorem. These are some of the major reductions.

On our side, we reduced the duty on fresh pork—and Canada did likewise. This is one of the items where we and the Canadians maintain the same duty. Trade in fresh chilled and frozen pork moves back and forth across our border. Our import duty on lamb was cut in half—from 3.5 cents per pound to 1.7 cents per pound and our duty on canned beef was also cut. Lamb imports over the past 5 years have been stable. They amount to only 2 percent of U.S. production.

We did not reduce U.S. duties on fresh chilled and frozen beef, veal, and mutton, on cooked beef, on feeder cattle, or on wools finer than 44's. These products accounted for about $370 million in U.S. imports in 1964—by far the bulk of our dutiable imports in this livestock sector. No cuts were made in the duties on canned pork, although the current rate of duty—3 cents a pound—was bound at that level.

Fruits, vegetables, edible nuts, and wines

On fruits and vegetables, we negotiated the most meaningful bargains with the United Kingdom and the other EFTA countries. The United Kingdom made significant concessions on fresh vegetables, fresh fruits, canned fruit—notably peaches and fruit cocktail, raisins, almonds, and pecans. The Scandinavian countries made attractive tariff cuts on fresh, canned, and dried fruit.

Canada, our principal market for fresh vegetables, accounted for nearly three-fourths of the concessions we got in that category, as well as making significant cuts on numerous other products. On a number of products—such as fresh apples—we were able to negotiate the elimination of duties by both ourselves and Canada. This continues a long and mutually beneficial process of eliminating restrictions where the trade between ourselves is largely a two-way affair. The EEC made a few cuts on fresh grapefruit and canned grapefruit juice, cut duties slightly on canned fruit cocktail and grapefruit sections. We were sharply disappointed, however, in that we were unable to resolve either the sugar added duty problem or the fresh fruit reference price problem with the EEC. Both of these remain to be dealt with.

We gave concessions covering less than one-fourth of our competitive imports of fruits and vegetables. Among the U.S. cuts of most interest to U.S. producers were those on canned tomato paste and sauce where the duty was cut by 20 percent and on canned whole tomatoes where the cut reached 30 percent. We reduced the duties slightly on champagne and vermouth, but not on the major still wines.

Tobacco

On tobacco our major negotiation was with the EEC. The EEC agreed to scale down from 28 to 23 percent the ad valorem duty on unmanufactured tobacco and to set the maximum charge at 15 cents a pound instead of 17.2. This will help. Even though U.S. tobacco will have to pay the maximum, it will pay less than it did formerly, which means we'll be on more even terms with our competitors. In return, we cut our duty on oriental cigarette leaf by 10 percent, for the benefit of Greece and Turkey—EEC affiliates. We did not cut duties on cigar tobaccos nor on cigarettes.

When the United Kingdom cuts its Commonwealth preference of 21.5 cents to 17.2 cents, as proposed, our leaf will be more competitive in the British market. The United Kingdom proposal is tied to our removal of the American selling price system of valuation.

Austria, Denmark, and Sweden granted duty-free bindings on tobacco, and Finland cut its duties 50 percent.

We were disappointed in not obtaining tobacco concessions from Australia, which has erected very high trade barriers around its tobacco industry.

Dairy and poultry products

We also hoped for more than we got in the dairy and poultry area. Our biggest disappointment was the continued failure of the EEC countries to give us market access for fresh frozen poultry and to agree to meaningful limits on EEC chicken export subsidies. We did get a 19-percent reduction on canned poultry from the EEC, but exports to that area are small when compared to the market for the frozen product we had up to 1963. This remains a problem for us.

Japan reduced the duty on whole turkeys from 20 to 15 percent.

Our principal concessions in the dairy area were tariff cuts on Swiss and Roquefort, and certain Italian cheeses. These types do not come under the section 22 quota system.

Those are the highlights of the concessions exchanged. I would characterize the net result of the Kennedy Round as "modest liberalization." It will improve our access to markets.

LOOKING AHEAD

American agriculture came to the Kennedy Round in a spirit of expectation. We sought a general lowering of agricultural trade barriers which would give efficient farmers, ours and in other countries, a greater opportunity to sell competitively in the world's expanding markets. We looked on the Kennedy Round as a means of helping world trade in general and our own export drive in particular.

To some extent, our expectations were realized. Considering the problems encountered, we emerged with far better results than we thought possible during some of the darkest days when negotiations almost broke off.

But while the negotiation has given us modest trade liberalization, it also has made us aware of the problems we still face in bringing more order to world agricultural trade. To me, this is the really significant result at Geneva.

The Kennedy Round has shown beyond doubt that we cannot buy—with reductions in duties—removal of the major barriers standing in the way of a substantial and orderly trade in farm products.

The Kennedy Round has also shown that a massive, multilateral trade negotiation involving all countries and all products is not an appropriate way to get at the root of agricultural trade problems. It provides too much opportunity for avoiding the real business at hand.

The Kennedy Round ended up being primarily a tariff negotiation. Tariffs remain an important means of protecting producers in many parts of the world. But in agriculture, particularly, other barriers are numeous and complex. Negotiators met with only limited success in removing or lowering them and, on the really hard-core products, had no success at all.

Overall, the problem of liberalizing trade stems from the almost general disparity in income between farm and nonfarm people. As a rule of thumb, around the world a farmer gets only about one-half as much income for his labor and investment as the nonfarm sectors of the respective countries enjoy. That disparity poses an obligation on every government to protect the incomes of its farmers and still make sure that all the people have enough food and fiber and other products of agriculture. It is an obligation that has called forth price and income programs in every country in the world. These take many different forms.

The European Economic Community for most products attempts to keep domestic agricultural prices high through a variable levy system. The EEC sets the prices, and the variable levies remove the effect of outside competition, because they always are high enough to offset any competitive advantage the outside product might have. This is truly a formidable barrier to trade. The variable levy on grains, for example, is about 100 percent ad valorem.

The United Kingdom favors the deficiency payment support system. Here internal consumer prices are allowed to seek their own level. But producer returns are kept at Government-set levels through producer payments which make up the difference between these levels and what they receive in the marketplace. The impact of this system on exporters is more obscure, but severe nevertheless. High producer prices increase domestic self-sufficiency, and the effort of an exporter to hold his sales in that market leads to artificially low and unremunerative prices.

We have our support programs in the United States also, as you know. In some cases—in cotton and wool—the program is a combination of deficiency payments and tariffs or quotas. In dairy, it is a combination of a support price and quotas and tariffs. In grains, we use a certificate program. Our system is different from most, however, in that we use, in many cases, production controls to prevent our programs from leading to ever-increasing excess output.

Government support programs often lead not only to import control, but also to export assistance. The EEC has export subsidies. Denmark uses a two-price system in which prices for products marketed at home are held at one level, while exports are marketed well below that. Other countries use marketing boards that have great flexibility in price practices. These practices are widespread.

Let me share with you a concrete illustration of the kind of problem I have been talking about. Just the other day we had to make the very difficult decision to recommend sharp restrictions on imports of dairy products into the United States. This was not a pleasant decision, as a country which exports as much as we do must be prepared to import as well. But the trade was not a healthy one. Under the EEC system of high dairy support prices protected by variable levies, production has increased to the point that heavy surpluses of butter and cheese are a glut on the EEC market. Under such circumstances, the EEC export subsidy counterpart of the variable levy operates almost automatically to move these surpluses out of the EEC irrespective of their impact on the trade of more efficient suppliers or on the economies of importers. They move to wherever they can find entry at whatever price they can command.

EEC butter, therefore, being produced at a price of 60 to 65 cents per pound was being sold in the United States for around 22 cents per pound. It was entering the United States as a butterfat-sugar mixture in circumvention of existing U.S. import controls on butter, and in quantities which were interfering with the operation of our own support program. This was a situation which caused major difficulties for us and for all our traditional trading partners. We could not allow it to continue. The butter came to the United States because it could not go elsewhere. Some years ago, the United Kingdom, faced with almost the same problem, instituted quotas to protect her suppliers—New Zealand, Australia, and Denmark. Japan imposes tight quantitative restrictions, as does Canada and others.

You will recall that not too many years ago the United States also had burdensome surpluses of dairy products. We didn't dump ours indiscriminately into the international market. We stored them, used them at home in school lunch programs and to feed our needy. We moved them abroad only when the demand was such that they did not disturb the international market. It is a pity that other major producers have not practiced similar restraint. Their practices will make it difficult for all of us in the years to come. I might say, parenthetically, that we in Agriculture are determined to prevent export subsidization from undercutting our producers, either in our own country or in their foreign markets.

Even if countries were agreed, therefore, on the kind of order they wanted to put into the international trading system, the task of reshaping its numerous and complicated barriers to do this would be a formidable one. Even to catalog and understand them is difficult. To deal with them all in a comprehensive way is virtually impossible. This the Kennedy Round has made clear to us.

How can we deal with these barriers? What kind of plan can be used? What should our agricultural trade policy be? Ambassador Roth has mentioned the trade policy study which he will undertake over the next year. This will help us decide and I cannot anticipate it. I can suggest, however, that he explore carefully the following principles, which I think are essential.

The underlying objective in U.S. agricultural trade policy must continue to be of orienting agricultural trade flows on the basis of efficiency. In other words, those who can produce abundantly, inexpensively, and well should produce and should be leaders in trade.

There will be exceptions, of course. If some countries insist on producing at heavy cost simply because they are so inclined and have the money, we can't prevent them. But we can try in every way we know to show them that they are wrong and where they are wrong.

We should focus our attention on individual products or, at most, product groups, and we should seek to deal in depth with the barriers affecting these so that when we have reached an accord, we have some hope that it will stick. It doesn't help to lop off one barrier only to have another take its place because we have not gotten at the root of the trouble. And I think we should start these explorations among key countries in the very near future.

We must recognize that we have to work with and adapt the support systems which exist to the international economy we want. In the Kennedy Round, the United States supported this kind of pragmatic approach. We wanted to isolate the system in each country and see the full depth and scope of the barrier in its own setting. The EEC, however, supported a different approach. They seemed to want to introduce certain common elements into every country's system, such as international reference prices and variable levies, which characterize their system. This was clearly impossible. With patience and effort, existing systems can possibly be oriented toward freer international trade based on efficiency in production. They cannot be abruptly overturned or replaced, however, to accord with anyone's preconceived plan for market organization.

THE DEVELOPING WORLD

Let's also recognize that the Kennedy Round had more significance for the industrialized nations than it had for the developing countries.

The United States tried hard to make it a more meaningful round for the less developed countries. In agriculture we cut and in many cases eliminated duties on tropical products valued at almost $120 million—products such as Indian cashew nuts, Brazil nuts, Philippine desiccated coconut, and so on. We committed ourselves not to put duties on fresh bananas and other products now duty free amounting to about another $140 million. And we also cut duties on some temperate products—in which the developing countries had a trade interest approaching $70 million. I know of no other area of the world that did as much in this way as the United States.

The legitimate needs of the developing countries can be only partially met through this conventional trade route. President Johnson said last April, at Punta del Este:

> We are ready to explore with other industrialized countries—and with our own people—the possibility of temporary preferential tariff advantages for all developing countries in the markets of all the industrialized countries.

These are ways in which we can help the developing countries to grow—to develop their agricultural economies, for economic growth in Asia, Africa, and Latin America depends to an increasing extent upon agricultural development.

Agriculture performs several functions in promoting economic growth. It supplies the food required by urban populations, otherwise precious foreign exchange must be used for food imports. It must generate some of the raw materials for industry, earn foreign exchange, and make labor available for industrial construction and expansion. Agriculture also must provide part of the capital accumulation needed for further growth, as well as being a market for such industrial products as fertilizer, farm machinery, and a broad variety of manufactured consumers' goods. To the extent that a country's foreign agriculture promotes general economic growth, to that extent, it creates a basis for commercial trade.

U.S. help with this agricultural development goes far beyond just being a good market. We are spending hundreds of millions of dollars to finance the transfer of American farming techniques; improvement of transportation, marketing, and irrigation facilities; establishment of extension service, cooperatives, credit systems; purchases of American-made farm equipment, pesticides, and fertilizer; and research on soils and seeds.

For many years the United States has been loaning know-how through the Agency for International Development and its predecessor agencies, and through programs operated by State universities and private consulting organizations. More recently these programs have been broadened to include the Department of Agriculture, through establishment of an International Development Service, which is financed by and works closely with AID.

We have furnished over $18 billion worth of food aid since 1954. We insist now that this aid be accompanied by a major self-help effort on the part of the countries receiving it. We also are insisting these days that other countries help us carry a part of the burden, through the India aid consortium, world food program, and other multinational aid efforts.

Altogether, progress is being made in meeting the world's food problem. And progress is being made almost everywhere in the vital area of economic development.

IN CONCLUSION

American agriculture has immense influence in world affairs. This influence will grow as both populations and per capita incomes of the world's people rise and strengthen demand for the food and fiber we can produce with such efficiency.

But trade, ultimately, is the conduit through which the bounty that is ours can reach foreign consumers. Fundamental to that trade is the extent to which the world's people allow comparative advantage to function. That's why the solution of trade problems is so important. The Kennedy Round resolved only some of agriculture's trade problems. Many remain. But I think the Kennedy Round did help clarify the thinking of our own participants and of our trading partners. It gave us new insight and perspective as we try again; and we must try again and keep trying. Only as trade in food and agricultural products is allowed to flow in a relatively unrestricted manner will the world's people share, as they should, in all the good things that our modern science and technology can make available.

Chairman BOGGS. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

Mr. Ambassador, I would like to touch on some of the agricultural matters. As I understand it, as far as grain is concerned, there was no agreement regarding the guaranteed access or reduction in tariffs on the part of the Common Market, is that correct?

Mr. ROTH. That is correct.

Senator MILLER. I understand further that we did take the position that we should have a guaranteed access, that was our original position, was it not?

Mr. ROTH. That is correct.

Senator MILLER. And may I ask, what was the percentage that we asked for?

Mr. ROTH. We in effect asked a percentage that would give us what, during the base period, was our actual access. I think that was about 25 percent.

Senator MILLER. And what was the base period?

Mr. ROTH. 1964–66.

Senator MILLER. 1964–66. During that base period we had 25 percent of their domestic market. So what was asked for? May I ask, what would that mean in tons? Do you have a figure readily available? As I recall, it was around a million tons.

Mr. ROTH. Mr. Ioanes says about 17 million, both feed grains and wheat.

Senator MILLER. 17 million. Since we didn't get that, we did obtain an agreement that the Common Market would furnish a certain amount of feed grains per year, am I correct?

Mr. ROTH. Yes, about a million tons for food aid.

Senator MILLER. A million tons.

Mr. Ambassador, are you sure that that 25 percent is of 15 million tons? I did not have the impression that it was anywhere near that amount. We are talking about the 25 percent.

Mr. ROTH. That is for total imports. Are you talking just about the United States?

Senator MILLER. I am talking about the United States access to the Common Market based on the base period 1964–66, which, as I understood it, in the case of grains amounted to 25 percent, which was the point that you were seeking.

Mr. ROTH. That would be about 9 million tons as the American share of the 17 million.

Senator MILLER. 9 million tons. So that our proposition originally was that we would be guaranteed an access of 9 million tons of grain shipments to the Common Market per year. And they refused to give us that. And in place of that we obtained an agreement that they would put up 1 million tons of food aid per year, is that correct?

Mr. ROTH. Plus agreement to a higher minimum price.

Senator MILLER. Yes, but I am talking now about buying.

Now, according to Mr. Schnittker, in the article I referred to from the New York Times of May 19, 1967, he said that the United States gave up trying to get guaranteed access to the market because the Community's final offer had no value. What was the Community's final offer on that access?

(The article referred to by Senator Miller follows:)

[From the New York Times, May 19, 1967]

U.S. FARM TARIFF NEGOTIATOR SAYS ACCORD WILL AID EXPORTS

WASHINGTON, May 18.—The United States won "very significant" reductions in some barriers to America's agricultural exports in the Kennedy Round of trade talks, the chief United States farm negotiator said today.

John A. Schnittker, Under Secretary of Agriculture, just back from Geneva where the negotiations took place, gave additional information on the new grains agreement that came out of the Kennedy Round. He declined to discuss other products in detail.

Mr. Schnittker gave his views at a news conference as Allan Shrivers, president of the United States Chamber of Commerce, issued a statement saying, "There is widespread approval among American businessmen of the results of the Kennedy round of trade negotiations."

Mr. Shrivers said new efforts to liberalize trade "should begin with further elimination of nontariff barriers."

Mr. Schnittker gave these estimates of the effects of the new grains agreement, affecting primarily wheat:

The export price of standard hard winter wheat at United States Gulf ports will range over the next three years from $1.80 to $1.95 a bushel. This compares with an average of $1.70 over the last three years and $1.83 now.

The increase will have the effect of raising slightly the price to United States wheat farmers, but it will not affect the price of bread to the consumer.

The United States gave up trying to get guaranteed "access" to the market of the European Economic Community because the community's final offer had "no value." However, the United States sees a "reasonable chance" that total grain exports to the Common Market (as the community is generally known) will be maintained because production there may grow no faster than consumption and because the community will now have to export more grain under the new food aid agreement for poor countries.

The net effect of the new grains agreement—including the sharing of the burden of food aid to the extent of two million tons by countries that are now importers—will be "a higher dollar value" for the United States in its wheat exports, though probably not much change in the physical volume. The high value would come both from the higher price and the probability that a larger share of United States exports would be for dollars rather than on a "concessional" basis to poor countries.

(The following letter was subsequently submitted by Mr. Roth:)

OFFICE OF THE SPECIAL REPRESENTATIVES
FOR TRADE NEGOTIATIONS,
EXECUTIVE OFFICE OF THE PRESIDENT,
Washington, July 12, 1967.

Hon. HALE BOGGS,
Chairman, Subcommittee on Foreign Economic Policy, Joint Economic Committee, Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: At yesterday's hearing, Senator Jack Miller asked about the value to American agriculture of the higher minimum prices in an international grain arrangement.

There is no question that the American wheat farming community believes that the new minimum price provisions are valuable. This is certainly the view of Herschel Newsom of the Grange and Tony DeChant of the Farmers Union, as well as Allen Tom of the National Wheat Growers Association and Ralph Ball of Great Plains Wheat. All of these farm group representatives were in Geneva with us at one time or the other during the negotiations, and they all concurred in the notion that the higher minimum prices will be of great benefit to American wheat producers.

The new prices of $1.73 per bushel, f.o.b. Gulf, for No. 2 Hard Winter Ordinary wheat is about 23 cents higher than the minimum in the existing International Wheat Agreement. Today, Hard Winter Ordinary at the Gulf is bringing about $1.76 per bushel, whereas a month ago, the price for this grade of wheat at the Gulf was about $1.86. Obviously, what has happened is that the weight of supplies on the market, not just the United States but in other exporting countries has put pressure on prices. In part, this is also due to smaller import demands in certain areas such as the Soviet Union.

Moreover, the same downward drift in international wheat prices has been noticeable in other classes of American wheat and, in one of them, Soft Red Winter wheat, current market prices at the Gulf are below the minimum indicator level of 1.60 per bushel proposed in the new International Grains Arrangement. Again, the basic reason is the same—increased U.S. and world supplies in relation to demand. There is therefore no question in my mind that a new international grain arrangement with prices 23 cents a bushel higher than in the current International Wheat Agreement would give us the possibility of working with other exporters to translate those higher minimums into higher returns for producers.

Sincerely yours,

WILLIAM M. ROTH,
Special Representative.

(The following item was included at the subsequent request of Senator Miller:)

TRADE BLOC SEEKS GRAIN OUTPUT RISE

MOVE WOULD SERIOUSLY CUT NEED TO IMPORT FEED CEREALS FROM UNITED STATES

(By Edwin L. Dale, Jr., Special to The New York Times)

WASHINGTON, July 12.—In a move that could cost the United States millions of dollars of badly needed exports, the European Common Market has quietly set in motion a change in its farm program to increase the production of corn and other feed grains.

This has become known here in the last few days and has caused concern, if not alarm, in both the government and the grain trade.

The move follows the completion of the Kennedy round of trade negotiations, in which the United States won major reductions in the Common Market tariff on industrial goods but relatively little trade liberalization in agriculture.

The Common Market action is a proposal by the Executive Commission in Brussels, still not formally published, to raise substantially the minimum price support levels for corn, barley and rye, without any change in the price level for wheat.

TWO-FOLD RESULT

The result, in the view of both American and European officials, would be two-fold, both elements reducing the huge present European need to import feed grains for cattle and poultry. The United States is by far the largest supplier of these grains, chiefly corn.

First, the higher price support levels would induce European farmers to grow more feed grains, thus cutting the need for imports.

Under the Common Market system of variable levies at the frontier, imports form a "residual" supply, meeting only needs not filled by domestic production.

Second, with feed grains more costly, it would become profitable for some European wheat production to be used as feed for animals rather than for human consumption. This again would cut the need for imported feed grains.

FEED GRAIN DIVERSION

Diversion of wheat for use as feed would reduce the amount available for export by the Common Market, almost all France. But this would not help the United States because French wheat is of a different quality from United States wheat and is sold to markets where United States wheat is not competitive.

Thus, if the proposal is adopted, the United States would lose feed grain exports to the Common Market and would not make up the difference in wheat exports. Total grain exports to the community are about $500-million a year, mainly feed grains.

The proposal by the Common Market commission still must be approved by the ruling Council of Ministers. It would affect the crop year beginning July 1, 1968.

SHIFT OF EMPHASIS

The Common Market commission is reliably reported to be frankly desirous of changing the "balance" of community agriculture, with more emphasis on feed grain production and less on wheat. The six member nations taken together are huge importers of feed grains, yet not exporters of wheat.

Mr. ROTH. They had developed a formula which we said would be acceptable to determine access, based upon the so-called self-sufficiency ratio, that is the ratio of production to consumption. In this base period we felt that domestic production should be around 85 to 86 percent of total consumption. Their last offer was considerably in excess of that. In other words, what they wanted was a level for imports which would give their own producers some possibility of growth. The EEC was insistent on this, and the British were insistent on it. That was one part of the problem.

The second part of the problem——

Senator MILLER. May I ask you before you leave that part of the problem, what was wrong about that from our standpoint?

Mr. ROTH. From our standpoint, in an agreement that lasted at the most for 3 years, we felt that at no time during that period would the access formula actually come into effect and that their formula allowed their own producers too much room to grow. And it wasn't worthwhile paying for this, as we felt that in the feed grain area our exports to the Community, which is more and more a meat consuming area, will grow.

Senator MILLER. But may I ask, the way it came out, haven't we given them just as much if not more room to grow?

Mr. ROTH. But we are not paying for it.

I will come back to this, but may I go on to some other aspects of this problem?

Senator MILLER. Yes.

Mr. ROTH. In order to have an access formula that really works, at a point you get almost into a rigid sharing of markets when the formula comes into effect. We found domestic resistance to this concept. We also felt that a complicated formula such as the self-sufficiency formula would be very difficult to explain. It would be very difficult in particular to explain why we paid something that wouldn't really give us what we thought we were getting. It was much simpler to get a minimum price that would set a higher base than present world wheat prices, and secondly, to get some help in food aid which would do two things: one, take part of the burden, which we have carried alone off our shoulders; and secondly, take a certain amount of wheat off the commercial market.

There is one other aspect of this. The Community and the British—but the Community in particular—said that if you want a minimum price for wheat you should also accept one for feed grain. We couldn't accept that, because the way our trade goes in feed grains we have to have price inflexibility, and because we didn't feel Congress would accept this. But we were caught in this position, saying we wanted a minimum price on wheat but not on feed grains.

So basically what we did in the final weeks was to negotiate an agreement that relates just to wheat. In feed grains, as I said, we feel that we have an expanding market. And this access formula was not that important.

Senator MILLER. On this 1 million tons of food aid, which was one of the trade offers, do I understand that this 1 million tons of food aid from the Common Market countries represents a net increase of 1 million tons of food aid over and above what they have now been supplying?

Mr. ROTH. Of course; since they have not been supplying food aid.

Senator MILLER. There has been no food aid from France or West Germany or the other Common Market countries to any developing country anywhere, Africa, the former French colonies, or any other country in the world?

Mr. ROTH. Practically none in the grains area. The most recent attempt by the United States was not quite a year ago when we tried to put together an Indian consortium. The Japanese agreed to make a contribution, but as far as I know to date we have not been successful in Europe. So this is a new step.

Senator MILLER. Now, are there any strings to this 1 million tons as to what countries will be the recipient of it? For example, is it open to France to ship its food aid to some developing country of its own choosing? How does that work out?

Mr. ROTH. Part of it still has to be worked out, by the way. The International Wheat Agreement group is starting a meeting this week in Rome to work out all the details of this.

Senator MILLER. I am sorry. I didn't hear that last sentence.

Mr. ROTH. I said that the agreement is not entirely worked out in all these phases. We still have perhaps another 3 to 4 weeks of negotiations. The negotiators meet later this week in Rome under the auspices of the International Wheat Agreement.

Mr. IOANES. There will be agreement that the aid will have to go to developing countries. And there will certainly be a procedure whereby, to the extent that the programs are operated bilaterally, as we operate our programs, reports will have to be made to the Wheat Council and a subsidiary body of that Council showing the country of destination and the terms. There will be provisions in the agreement about terms that are acceptable to make them true aid conditions rather than commercial conditions.

Senator MILLER. Do you know whether or not that will include some kind of an understanding by which countries will be the recipient? To come back to my question, will France, for example, be free to determine what country or countries its share of this food aid will go to?

Mr. IOANES. I think that each donor country will have the right—within a definition of developing countries, so that we don't get into the countries that are not developing countries—to determine the country to which its commodities will go. And for our part, this is a condition we would almost have to insist on to make sure that our commodities go to the countries that we could consider eligible under our statutes.

Senator MILLER. And then is it your thinking that because the Common Market will be putting up 1 million tons of food aid which they have not heretofore been doing that this will open up 1 million tons for our access?

Mr. IOANES. Well, certainly to the extent that areas of the world, such as the EEC, the United Kingdom, Japan, and the other exporting countries, contribute grain or cash to buy grain to go to developing countries on concessional terms, this should open up in part, I would say, commercial markets for the rest of the world. I say in part because I cannot cleanly tell you that there might not be some production increases somewhere in the world specifically designed to meet this need. But to the extent that it is taken out of the commercial stream that exists, this will open our commercial market for exporting countries, including the United States.

Senator MILLER. I am speaking now of the EEC.

Mr. IOANES. Yes, sir.

Senator MILLER. And the 1 million tons that they are going to put up. Is it the thinking that this 1 million tons that they are going to put up will open up commercial markets of 1 million tons in EEC?

Mr. IOANES. Not necessarily in the EEC, but in the EEC or third countries.

Senator MILLER. From which the EEC would buy if necessary to meet its commitment?

Mr. IOANES. No, Senator. We would assume that the million tons of grain would come from the Community's own production. But they have exported about 7 million tons of grain in recent years, at least, about 7 million tons. So they will have the option of reducing their exports by that amount, or, say, of taking it out of home consumption and importing food grains to replace their own wheat.

Mr. ROTH. I think that the net answer is "Yes," one way or another. It would remove grains from the commercial market, Senator Miller, and the thinking is that we will be able to obtain that or a good chunk of that, isn't that so?

Mr. IOANES. Correct.

Senator MILLER. Was any consideration given to the possibility that the Soviet Union might take it over?

Mr. ROTH. The question of whether the Soviet Union, which is a member of the IWA, would at a point also become a part of this agreement, remains an open question.

Chairman BOGGS. Would the Soviet Union take over the 1 million tons of commercial market that would be opened up under this agreement?

Mr. ROTH. It could compete for it, obviously, if in any particular year they were in a good export position.

Senator MILLER. I have run beyond my 10 minutes, and I apologize to the chairman. I would like to come back when it is my turn.

Chairman BOGGS. Surely.

Mr. ROTH. Could I make just one remark?

As I watched from the sidelines, it semed to me that the most complex part of the negotiations, other than the chemicals, was a two-way negotiation in grains, first among the exporters, and then between the exporters and the importers. We found it terribly important as we got to the very end to bring people other than those in Government to Geneva—Tony Dechant of the Farmers Union, Herschel Newsom of the Grange, Alan Tom of the National Wheat Growers Association, and others. What we tried to do is bring back, first, something that is simple and, second, is a great advantage to the American producer and is workable. And I hope we have done this.

Chairman BOGGS. I will call on Congressman Reuss in just a minute.

In connection with the questions of Senator Miller, what is the total amount of trade today between this country and the Kennedy Round countries?

Mr. ROTH. The total trade coverage of the Kennedy Round sections was around $4 billion all told.

Chairman BOGGS. I am talking about between this country——

Mr. ROTH. In the case of the United States—if you take both the imports and exports, you are covering about $7½ billion to $8 billion each way.

Chairman BOGGS. What increase do you expect in a period of, let's say, 5 years or 6 years?

Mr. ROTH. In world trade?

Chairman BOGGS. No; in trade between the United States and the Kennedy Round countries.

Mr. ROTH. I have no forecast for you, Mr. Chairman.

Chairman BOGGS. Would you make it percentagewise? You have already forecast a very substantial increase of grains.

Mr. ROTH. I would hesitate at this point to make any judgment, particularly until our final analysis of what came out of the Kennedy Round is complete, which will be some time ahead. As you know, also, the decreases in the tariffs will be phased over 4 years, so it is going to be a gradual process. I couldn't pick a number out of the air that would have any validity at this point.

Chairman BOGGS. Just one other question. Unless Congress acts to extend some kind of authority, what basis do you have for any type of adjustment assistance today?

Mr. ROTH. We fall back on the provisions in the 1962 Trade Expansion Act, which labor feels and we feel contain criteria which are too strict.

Chairman BOGGS. Yes; but my question is——

Mr. ROTH. The negotiating authority expires.

Chairman BOGGS. But only the negotiating authority?

Mr. ROTH. The rest of the act continues.

Chairman BOGGS. Continues as is?

Mr. ROTH. Yes. My job continues.

Chairman BOGGS. What you are asking is that in any extension that we have certain modifications of the adjustment provision?

Mr. ROTH. That is right, sir.

Chairman BOGGS. That is all for now.

Mr. Reuss?

Representative REUSS. Thank you, Mr. Chairman.

I wanted to add my congratulations to Ambassador Roth and his associates for the remarkable job they have done.

We have already had some discussion of chemicals and agriculture. Those aside, Mr. Ambassador, what do you foresee as the great export opportunities for the United States that will result from tariff lowering under the Kennedy Round?

Mr. ROTH. Thank you very much, Congressman Reuss.

I think the export opportunities are really very much across the board. And they vary from country to country. For instance, as I said, in the case of Canada, where production machinery and associated electrical machinery now covers $5 to $6 million in terms of our exports, they have made very substantial reductions, from 22½ percent to 15 percent. The Canadian agreement in particular is a rather unique one, because both sides made maximum efforts in very large areas. Take lumber, where from Canada unfinished raw lumber comes into this country, and from the United States finished lumber goes back to Canada. In this whole area we go to free trade. So I think in both agriculture and industry—machinery parts is another area—we will have an expansion of trade with Canada that could be fairly major.

The big disappointment—to talk about the negative as well as the positive—the biggest disappointment in terms of what we got from the European Community was their failure to make substantial cuts in the area of advancing technology, such as business machines. In steel, aluminum, and textiles, none of the countries made very substantial cuts. But in most other areas of industry, I think we have the opportunity for substantial increases in exports.

Representative REUSS. Without anticipating the detailed studies which you are now in the course of making, pick off some other bright spots. You have said electrical production machinery for Canada is down from 22½ to 15. Obviously that is all good. What are some of the other bright spots that can bring smiles to some of our American exporters?

Mr. ROTH. May I perhaps go to another question and look up some of these major areas?

Chemicals, for instance, would be one, particularly if Congress passed the American Selling Price.

Representative REUSS. Perhaps you and your associates could file at this point in the record a fuller detailed listing. I think that might be very good.

Mr. ROTH. I would be glad to.

(The list requested was subsequently filed for the record and appears beginning p. 50.)

Representative REUSS. I have one question addressed to Mr. Ioanes.

In Mr. Schnittker's statement he said, as a general principle of world agricultural trade, that those who can produce abundantly, inexpensively and well should produce and should be leaders in trade. How does that excellent precept apply to world production of sugar and particularly tropical sugar? Is that the way we are doing things in this commodity?

Mr. IOANES. It doesn't fit in exactly. The most efficient producers of sugar in the world are centered primarily in Latin America. And the United States has for some time under legislation provided, as you know, for a division of the market between home producers and importers, and has shown preference in this area. Our costs of production are higher than in most parts of the world. So to that extent there may be some clash between the principle and the acts we do.

Now, for this to really work we must take the major developed countries of the world and sell this principle. In other words, it will be impossible to sell the concept of reduced production, greater imports of a commodity like sugar, to the United States unless the other major consuming and relatively less efficient producers are also prepared to reduce their protection.

Representative REUSS. German and French beet sugar, for example, is uneconomic.

Mr. IOANES. There is no question about this. Their costs are higher than ours. And the Community is not only moving to a position of self-sufficiency in sugar beets, they are probably moving to an export position. So if this principle became one that an area like the EEC would observe, we would have to anticipate their moving in another direction, moving away from self-sufficiency.

Representative REUSS. Would you agree on the basis of this that world sugar, with particular reference to the foreign exchange needs of our Latin American friends, should be high on the agenda of immediate international discussions?

Mr. IOANES. I am a brave man. And I would say it certainly is an item that should be discussed. I would think again, Mr. Congressman, that the extent to which this would be a real possibility would depend on our ability and the rest of the world's ability to adjust programs in a number of countries, not just the United States.

Representative REUSS. So far there has not been the international discussion of sugar that there has been in wheat, has there?

Mr. IOANES. No. There was at one point a suggestion that there be discussion of sugar as there was on grain. This got dropped at the last minute, and we never really had a serious discussion.

Representative REUSS. Thank you very much.

Chairman BOGGS. Congressman Widnall?

Representative WIDNALL. Thank you, Mr. Chairman.

Ambassador Roth, New Jersey ranks first in the Nation in the number of chemical plants and the workers that are currently protected under the American selling price system. On June 30, I believe it was, all 15 members of the Republican and Democratic delegations from New Jersey wrote rather strong letters to President Johnson and to you calling for release of the Report on the Economic Future of the American Benzoate Chemical Industry. To date, to the best of my knowledge, such requests have been refused by you for the 1966 full study by the Tariff Commission on dropping the American selling price. Why isn't it being released to Congress?

Mr. ROTH. Mr. Chairman, the Congressman's question was brought up in the questions by industry on Friday in the chamber of commerce. We pointed out that the Tariff Commission's report contains very confidential material from a great many firms, information that would affect their competitive position. We said, however, that we realized that some of this data would be valuable in assessing our proposed American selling price. And we are considering and have underway a letter to the chemical companies concerned asking if they would approve the release of their confidential information. If it is possible to get such approvals, then I think it is possible that we could make some of this information available.

Representative WIDNALL. Mr. Ambassador, it doesn't seem to me that we can act intelligently in connection with this matter unless we do have available to us the same type of information that you have available to you. I understand your reasons for saying that you want to protect certain people who give information to you. But I believe that those who are going to be vitally affected by this, the people in the chemical industry, are entitled to know the basis that is used for the approach that you and the other negotiators have made to other chemical industries. It seems to me quite apparent that there is a great upset within that industry, and not a general acceptance of your decisions over there. This greatly concerns the future of their industry, and they seem terribly disturbed about it.

Mr. ROTH. Mr. Congressman, I agree very much with what you said. I would like to say only that it is not a question of our policy about releasing this information until we get releases from the companies concerned, it is a matter of law. We are, however, hopeful that we can get such releases.

I would like to say that the Tariff Commission report is only one element that went into our analysis of the problem. We went back to many chemical companies and got as much new information, much of it, confidential, as we could, in order to make as objective appraisal as possible. So we are, sir, working on this.

Representative WIDNALL. In New Jersey they are particularly concerned because of the amount of unemployment within the chemical industry. And I think these figures are significant. Fifty-two percent of the dye workers are Negroes and Puerto Ricans. So the layoff of these workers would have a significant effect, because these are the workers who have the maximum difficulty in transferring to other jobs. The retraining and reemployment of the majority of these people will be difficult, because they earn about $7,500 a year in the industry at the present time. So it will be very disturbing if it isn't worked out to the satisfaction of the other chemical industry.

Are there other systems such as the ASP which you feel are major barriers to trade which should be abandoned in the near future?

Mr. ROTH. On our part, Mr. Congressman, or on the part of other countries?

Representative WIDNALL. On our part and on the part of other countries.

Mr. ROTH. The area of nontariff barriers is so complex—often you get into relatively small problems, but they have a large effect, whether it is labeling, or whether it is a policy of Government procurement.

Let me say that in the nontariff barrier area we are all sinners. In terms of the American Selling Price, which in a way is a variable levy. I pointed out to the European Economic Community that I considered the variable levy that they have around their agricultural products as not unsimilar. But more and more as we work with business, have worked with business, and will be working with business, we have to get into specific instances where nontariff barriers impede trade and gradually try to work these out. Many of them—we mentioned a few—have to do with special products. There are a few very substantial ones. One of these is dumping, and here we have achieved an agreement in the Kennedy Round. Looking to the future, a most difficult one is the question of border taxes.

Representative WIDNALL. Would border tax nullify any efforts made through the Kennedy Round?

Mr. ROTH. No, sir.

Let me state a little about this border tax issue. Under international law as expressed in the GATT it is legal to offset the domestic sales tax or an added value tax at the border by a tax on the import that equalizes the tax payment made by the domestic producer and the importer. And there is not supposed to be, although it may creep in, any protective incidence in this tax. It is based on the economic theory that an added value tax is passed on in the price, whereas a corporate tax is not.

Now, the economic theory, I gather, not being an economist, has changed in the 20 years since GATT was founded. And there is more question now whether the corporate tax is passed on more than, or less than, the added value tax. So this is something that we have to, and are beginning to, talk about, both in GATT and in the OECD.

But I think anyone would be very hard put to be able to prove that the substantial tariff cuts negotiated in the Kennedy Round will be nullified by border taxes that are presently in being.

Representative WIDNALL. The reason I raise the question, I have in front of me a statement recently made that in the Kennedy Round, West German Government tariffs will be cut by an average of 20 percent. That is about 2½ percentage points. However, West Germany will increase its border tax on imports by 5 percent, 5 percentage points, double the Kennedy Round cut. Where do we come out there?

Mr. ROTH. You have to remember that the increase in border taxes is to offset an increase in domestic added value tax. In other words, it is not supposed to be a penalty against imports. We, however, made a unilateral statement that is a part of the Kennedy Round record saying that, if our tariffs are in effect nullified by any protective incidence in the border tax, we would want to consult and take appropriate action.

May I say, because this is such a difficult area, that we have tried working with industry to have more studies made on what the effects of border taxes would be. One group of industrial concerns was going to pay for a study that the National Industrial Conference Board had made. But a lot of work has to be done to even know the nature of this problem. You can't make a sweeping statement in this area; it is too complicated.

Representative WIDNALL. But if our only recourse to being hurt is to go to a committee and make a complaint and have a hearing and go through something like an appeal to the Tariff Commission, where you end up with a decision on this thing maybe 2 or 3 years later, in the meantime we can be hurt badly. And I think we should understand fully what the advantages are that West Germany will gain through the imposition of the border tax.

Mr. ROTH. If we can prove that they gain an advantage in terms of additional protection for their market, then we will have a case. But we have to prove it. And as I said, the theory of the border tax is that it offsets on a 1-to-1 basis the internal tax that the domestic producer pays.

Representative WIDNALL. Mr. Roth, I have one more question. Do you agree with the president of the American Iron & Steel Institute, Mr. Roach, that the steel industry cannot improve its export position unless nontariff barriers are removed?

Mr. ROTH. The simple answer is "No." The more complicated one is that it would be necessary in steel, as in many other of the important industrial sectors, to continue to work to remove nontariff barriers. There are many areas, including that of Government procurement, where it is very difficult to get into other markets. And it is also difficult under our law sometimes to get into our markets. But certainly steel is not an area were nontariff barriers are critical. I don't think that the U.S. steel industry cannot expand their exports without further movement in this field.

Representative WIDNALL. Thank you, Mr. Ambassador, my time is up.

Mr. ROTH. Mr. Chairman, could I just say something about what we did on steel in the Kennedy Round, because I think it is rather important.

Chairman BOGGS. Surely. Go right ahead.

Mr. ROTH. We originally in steel had almost a total 50 percent offer across the board, with very few exceptions. But two things happened. One, economic changes in the industry came about in the last several years. But more importantly, we felt that other countries were unwilling to make full 50-percent cuts. And, therefore, we withdrew most of our steel offer, about 80 percent of it, and came out with an overall reduction of 7 percent, whereas the British made a cut of 20 percent, and the Community something like that.

But the most important thing we got, which I was most anxious to achieve, was the binding of the principal countries' steel tariffs. Before the Kennedy Round the United States was the only major country with bound tariffs on steel, that is, we couldn't change them under the GATT without paying compensation. The Community, the British, the Japanese, all had unbound tariffs, and they are now bound. In addition, all the major countries in steel have tariffs bunched together rather closely.

Chairman BOGGS. Mr. Ambassador, I have just one or two questions before we go back to Senator Miller again.

Senator Javits, who has gone, had a question he wanted me to ask.

What specific legislative measures do you leave in this Congress? I happen to be on the Legislative Committee as well.

Mr. ROTH. We hope, sir, to appear before you shortly with what will probably be a single bill with separate titles. As I said today, the first will be the extension of the Trade Expansion Act—probably by a simple change in the date for an interim period, say, for 3 years.

Chairman BOGGS. And this would continue the present negotiating authority?

Mr. ROTH. Yes. Since most of that authority was spent in the Kennedy Round, it would mean having just a residual amount. We would then establish legislative history that we don't intend any major negotiations in the next year or two. In other words, this residual authority would only be used for housekeeping purposes.

Chairman BOGGS. What in addition to that?

Mr. ROTH. Secondly, the adjustment assistance change, which would make the criteria in determining whether injury has been suffered by workers and firms more liberal.

Third, of course, a subject I talked about at some length, the elimination of American selling price.

Chairman BOGGS. What about the antidumping code?

Mr. ROTH. The antidumping codes, as I mentioned, was done within present law, requiring some changes, not very great, in our administrative practices. But we are not required to come back and ask for a change in the dumping law.

Chairman BOGGS. So that insofar as the Kennedy Round itself is concerned, the only legislation that you specifically need is the legislation dealing with ASP?

Mr. ROTH. That is right, sir.

Chairman BOGGS. But insofar as certain housekeeping aspects are concerned, you want an extension of the present negotiating authority without any addition to that? And you want certain amendments to the adjustment assistance provisions of the existing law?

Mr. ROTH. Mr. Chairman, we are also considering other minor matters. In particular, although we are not prepared to make a recommendation at this time, the separate funding of the United States contribution to GATT as a part of the bill. Although we do not have to come back to the Congress as a whole on the wheat agreement, it will be in the form of a treaty, and therefore we will come to the Senate Foreign Relations Committee.

Chairman BOGGS. What complaints have you had from business and industry other than certain segments of the chemical industry?

Mr. ROTH. We have really had surprisingly few. And I hope we are not being lulled into a euphoric restfulness. Originally there were some statements by the steel industry. But I think that when they look at this agreement in detail they will see that, at least in terms of the Kennedy Round, their concern is not justified. There was some concern, and there is some concern, I think, on the part of the textile industry, particularly the manmade part. In this section we had full cuts, with very few exceptions, on the table 2 years ago. But the industry's position changed from being a net exporter to a net importer. And we withdraw in the final 30 days of the negotiation two-thirds of our offers on manmade textiles.

Beyond that, although our own reductions have now been published, many companies, perhaps, have not studied them in depth. But we haven't heard very much concern. There was some expressed by the shoe industry. But here again in the most competitive areas we didn't make full offers.

Chairman BOGGS. I have one question that Senator Javits wanted me to ask.

Would you comment on proposals that have been made as a result of the free trade zones among the nations of the Atlantic Community of the North Atlantic area?

Mr. ROTH. Mr. Chairman, 2 years ago, as you remember, France in effect withdrew from the Community for almost a year over the controversy on the common agricultural policy, and the negotiations bogged down really seriously. We at that time within the Government looked at all possible alternatives to a multilateral trade negotiation that would bring all barriers down. But we found that anything that we could come up with, including a free trade area excluding from the Community, was very much a second best. Because of the tremendous flow of trade between EFTA and the EEC, if there were not reductions in tariffs between those two trade blocs overall world trade would be disadvantaged.

So I would say this is one reason perhaps why we do need a period of study here, not only to look at domestic trade problems, but to allow what is happening in Europe to take its course—will the United Kingdom become a member of the Community, for instance?

Until some of these things are clearer it will be very difficult to know which way to go, and what would be the value of a particular free trade area, et cetera. But I think basically we feel strongly that in terms of total world trade, the nearest way we can do this on an overall multilateral basis the better.

Chairman BOGGS. I have one final question. Do you personally feel that we have made substantial progress as a result of these negotiations?

Mr. ROTH. Yes, I do.

Chairman BOGGS. Would you be so sanguine as to say you are rather enthusiastic about it, or would you be less than that?

Mr. ROTH. May I say first that I was surprised that in the end we were able to put together so substantial a package. Even 2 weeks before the end I had my doubts. As it turned out, I was absolutely delighted. I think we have something which is of great value both to this country and to the world.

Chairman BOGGS. Thank you very much, Mr. Ambassador.

I think Senator Miller has some questions.

Mr. ROTH. Mr. Chairman, could I in answer to Congressman Reuss put a few areas of export growth in the record?

Chairman BOGGS. I think it would be perfectly satisfactory to the members of the committee if you would elaborate on any phase of your testimony that you would care to.

Mr. ROTH. I just wanted to mention some of the major areas where we would get export——

Chairman BOGGS. I think that would be very helpful.

Mr. ROTH. I will do it in detail later. But just now let me mention production machinery, paper and paper products, automobile and automobile parts, finished wood products, photo equipment, leather, kraft liner board, scientific equipment, aircraft, chemicals, of course, as I have mentioned, and, in agriculture, soybeans, citrus, tobacco, variety meats, various fruits and vegetables, and tallow—and as a matter of fact, bourbon whiskey, which is considered in Europe an agricultural product, to an American a necessity.

I think these are some of the general categories. But may I put in for the record a rather specific analysis?

Chairman BOGGS. Very well.

(The following material was submitted subsequently by Ambassador Roth:)

AREAS OF SIGNIFICANT EXPORT POTENTIAL

SELECTED AUSTRIAN CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty [1]		Imports from United States, 1964 (thousands of U.S. dollars)
		Pre-Kennedy Round	Final	
ex20.06	Canned pineapple	300 (51 percent)	25 percent	$1,166
ex20.06	Canned peaches	400 (51 percent)	32 percent	
ex20.06	Canned mixed fruit	12 percent plus 400 (50 percent).	12 percent plus 300	
ex24.01	Unmanufactured tobacco	1,500 (90 percent)	750	3,477
ex28.28	Molybdic anhydride	Free (unbound)	Free (bound)	468
ex28.47	Other molybdate	18 percent	12 percent	167
40.14	Other articles of unhardened vulcanized rubber.	28 percent	20 percent	198
73.13	Electric sheets and plates of alloy and high carbon steel.	10 percent	7 percent	544
84.10F	Pumps, other	23 percent	17 percent	294
84.12	Air conditioning machines	16 percent	8 percent	307
84.22B	Mechanical loaders	13 percent	7 percent	2,214
ex84.23	Excavating machines, weighing over 5,000 kg., other.	10 percent	5 percent	1,224
84.33	Paper-cutting machinery, etc.; other machinery for making up paper.	18 percent	9 percent	181
84.45	Metalworking machine tools	25 percent	20 percent	297
ex85.14	Microphones and loudspeakers	20 percent	10 percent	193
ex87.01	Other tractors weighing over 5,000 kg.	10 percent	5 percent	1,489
ex90.19	Hearing aids	13 percent	7 percent	303

[1] Rates are expressed in percent ad valorem or in Austrian scillings per 100 kilograms unless otherwise indicated (26 Austrian schillings equal U.S. $1). Ad valorem equivalents (1962) of specific or compound duties shown in parentheses.

SELECTED CANADIAN CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty		Imports from United States, 1964 (thousands of U.S. dollars)
		Pre-Kennedy Round [1]	Final	
7d	Fresh port meats, not otherwise provided for in the tariff.	1¼ cents per pound (4.2 percent).	⅓ cent per pound	$11,713
93	Apples, fresh	¼ cent per pound (3.9 percent).	Free	3,308
99c	Raisins, packages of 2 lbs. each or less.	3 cents per pound (13⅓ percent).	1⅓ cent per pound	2,815
130	Shrimp	5 percent	Free	4,488
152(b)	Orange juice	7½ percent	5 percent	14,352
192 (part)	Tarred paper and prepared roofings	20 percent	15 percent	14,283
197	Paper of all kinds, not otherwise provided for in the tariff.	22½ percent	do	7,302
198	Ruled and border and coated papers	do	do	6,953
199	Papeteries, envelopes, and all manufacturers of paper, not otherwise provided for in the tariff.	do	17½ percent	9,937
352	Brass and copper nails, etc., and manufactures of copper, not otherwise provided for in the tariff.	20 percent	do	20,994
353(b)	Aluminum bars, rods, plates, etc	3 cents per pound (5 percent).	2 cents per pound	8,680
354	Manufactures of aluminum, not otherwise provided for in the tariff.	22½ percent	17½ percent	16,767
362c	Nickel-plated ware, gilt or electroplated ware.	do	do	12,600
382(2)	Sheet or strip of iron or steel, cold-rolled, not otherwise provided for in tariff.	15 percent	12½ percent	12,007
400	Fittings and couplings of iron or steel, not otherwise provided for in tariff.	20 percent	17½ percent	6,405
415b	Washing machines	22½ percent	20 percent	10,050
427(1)	All machinery of iron or steel, not otherwise provided for in tariff, of class or kind made in Canada.	do	15 percent	96,910
427b(3)	Ball and roller bearings, not otherwise provided for in the tariff.	17½ percent	do	6,933
427k(1)	Metalworking machinery	22½ percent	do	12,610
428c	Engines and boilers and parts	20 percent	do	12,647
428e	Diesel and semidiesel engines over 500 horsepower and parts, not otherwise provided for in the tariff.	do	do	9,421
438a	Autos, trucks, and parts (not under free-trade arrangement).	17½ percent	do	26,176
438f	Replacement parts for automobiles (imports from United States, 1966).	25 percent	do	46,506
439b	Cars, trailers, and mobile homes, wheelbarrows, roadscrapers.	22½ percent	17½ percent	9,096
445f	Electric dynamos, generators, transformers, and parts.	do	15 percent	8,267
445g	Electric motors and parts, not otherwise provided for in the tariff.	do	do	13,038
445k	Electric apparatus and parts, not otherwise provided for in the tariff.	do	17½ percent	81,326
446a	Manufactures of iron or steel, not otherwise provided for in the tariff.	do	do	95,557
446g(1)	Electric welding apparatus	20 percent	Part, 15 percent; part, 10 percent.	7,023
519(1)	Furniture of wood	25 percent	20 percent	6,505
519(2)	Furniture, metal	do	17½ percent	7,236
522(1)	Woven cotton fabrics, not bleached, mercerized or colored.	20 percent	do	11,658
522(3)	Colored woven cotton fabrics	22½ percent	20 percent	24,032
523a	Clothing, wearing apparel, of woven cotton fabrics.	25 percent	22½ percent	8,283
561b	Yarns and rovings of manmade fibers: threads, etc.	22½ percent (minimum, 22 cents per pound).	10 percent plus 10 cents per pound.	9,314
562a(1)	Woven fabrics of manmade fibers, over 12 inches wide.	30 percent plus 20 cents per pound.	25 percent plus 15 cents per pound.	26,394

SELECTED CANADIAN CONCESSIONS OF INTEREST TO THE UNITED STATES—Continued

Tariff No.	Brief description	Most-favored-nation rates of duty		Imports from United States, 1964 (thousands of U.S. dollars)
		Pre-Kennedy Round [1]	Final	
563	Clothing, wearing apparel, of man-made fibers.	27½ percent	25 percent	11,007
568(1)	Knitted garments, fabrics, and goods, not otherwise provided for in the tariff.	35 percent	27½ percent	7,763
588	Coal, coal screenings, and coal dust, not otherwise provided for in the tariff (bituminous).	50 cents per ton (10 percent).	Free	38,424
616(1)	Rubber, crude, unmanufactured, not otherwise provided for in the tariff.	5 percent	2½ percent	14,078
618	Manufactures of rubber, not otherwise provided for in the tariff.	20 percent	17½ percent	20,249
618b(2)	Tires and tubes of rubber	22½ percent	do	6,847
711	All goods not elsewhere enumerated	20 percent	do	18,147

[1] Ad valorem equivalents (1964) of specific or compound duties shown in parentheses.

SELECTED DANISH CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty [1]		Imports from United States, 1964 (thousands of U.S. dollars)
		Pre-Kennedy Round	Final	
08.02	Citrus fruits	5 percent	Free	566
08.12B	Dried fruits except apple	10 percent	5 percent	1,404
10.06B	Rice, husked	do	do	483
ex20.06B	Canned pineapple and peaches	27 percent	13.5 percent	1,598
ex20.06B	Canned fruit cocktail	do	do	
27.10A	Clear lubricating oils and greases	0.05 krone per kilogram.[2]	0.025 krone per kilogram.	2,477
48.01	Paper and paperboard, machine-made	5 percent	2.5 percent	816
51.04	Woven fabrics of continuous man-made fibers.	20 percent	16 percent	1,226
84.01	Steam boilers and parts	8 percent	4 percent	437
84.02	Auxiliary equipment for steam boilers	do	do	413
84.06	Internal combustion piston engines, except outboard motors or bicycle motors.	5 percent	2.5 percent	5,197
ex84.15	Refrigerating equipment with capacity over 250 liters and parts.	12 percent	6 percent	300
84.23	Excavating, leveling, extracting, etc., machinery.	10 percent	6 percent	4,049
84.35	Printing machinery and parts	5 percent	2.5 percent	522
84.45	Metalworking machine tools	10 percent	6 percent	800
ex87.02	New passenger cars	12 percent	7.5 percent	2,109
87.07	Work trucks of the types used in factories, etc.	4 percent	2 percent	1,303
90.10B	Other apparatus for photo labs	8 percent	4 percent	610
90.28	Electrical measuring, testing, etc., instruments.	10 percent	7.5 percent	1,452
98.03	Pens and pencils and parts	12 percent	6 percent	402

[1] Rates are expressed in percent ad valorem or in Danish crowns per kilogram unless otherwise indicated (6.9 Danish crowns equal U.S. $1).
[2] Ad valorem equivalent of this specific rate of duty is 8.5 percent.

SELECTED EUROPEAN ECONOMIC COMMUNITY CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty [1]		Imports from United States, 1964 (thousands of U.S. dollars)
		Pre-Kennedy Round	Final	
02.01BIIb	Edible offals of beef and pork:			
	Livers	20 percent	14 percent	31,417
	Others	do	12 percent	
07.05A	Dried peas and beans	9 percent	4.5 percent	8,888
ex07.05B	Lentils	5 percent	2 percent	3,012
08.02	Grapefruit, fresh	12 percent	6 percent	3,246
12.03B	Various field seeds	8 percent	6 percent	3,545
15.02A	Industrial use unrendered fats of bovine cattle, sheep or goats, tallow.	2 percent	Free	28,354
15.02B	Other than industrial use	10 percent	7 percent	8,001
16.02BI	Prepared or preserved meat of poultry (canned).	21 percent	17 percent	3,457
20.06BIIb	Canned fruit with sugar added in containers of less than 1 kg.:			
	Fruit cocktail	25 percent	22 percent	26,263
	Other, excluding grapefruit sections, mandarins, and ginger.	do	24 percent	
23.03	Beet pulp, bagasse, and other waste of sugar manufacture; brewing and distilling waste, etc.	Free (unbound)	Free (bound)	16,965
24.01	Unmanufactured tobacco valued at less than $280 per 100 kg.	28 percent with minimum charge of $29 and a maximum of $38 per 100 kg.	23 percent with minimum charge of $28 and a maximum of $33 per 100 kg.	105,899
27.01	Coal:			
	West Germany	$5 per metric ton	$2.50 per metric ton	285,161
	Other member states	Free (unbound)	Free (bound)	
27.10	Petroleum and shale oils, other than crude; preparations not elsewhere specified or included containing not less than 70 percent by weight of petroleum or shale oils, these oils being the basic constituent of the preparations:			
	III. Lubricating oils and others	12 percent	6 percent	35,293
29.04CII	Dihydric alcohols	19 percent	16.4 percent	13,854
29.27	Nitrile-function compounds	17 percent	15.2 percent	14,277
ex38.19Q	Chemical products, n.e.s.	18 percent	14.4 percent	14,354
39.01CIII	Polyesters including alkyds	20 percent	16 percent	11,421
39.01CVIII	Unspecified condensation products	18 percent	14.4 percent	11,669
41.03BII	Sheep and lamb skins, leather	10 percent	5 percent	10,653
47.01B	Unbleached and bleached chemical woodpulp, sulfate and sulfite.	6 percent	3 percent	43,260
48.01	Kraft paper and paperboard, not for manufacture of yarn, and certain paper, n.e.s.	16 percent	12 percent	33,131
51.01A	Yarn of synthetic textile fibers	12 percent	9 percent	17,008
84.08AIb	Turbojet engines, thrust more than 2,500 kilograms.	10 percent	5 percent	13,095
84.08DI	Parts for reaction and turboprop engines.	do	do	29,567
ex.84.10B	Certain other pumps for liquids	12 percent	6 percent	18,414
ex.84.11AII	Pumps and compressors, other n.e.s.	do	do	17,355
84.15	Refrigerators and refreigerating equipment.	10 percent	5 percent	14,118
84.17FII	Heat treating machinery and equipment other than nonelectric hot water heaters.	11 percent	5.5 percent	10,203
ex84.22B	Certain automotive loading, lifting and handling machinery.	do	do	20,508
84.22C	Other lifting and handling machinery	do	do	16,313
84.25	Harvesting and threshing machinery and similar agricultural equipment.	9 percent	4.5 percent	12,458
84.55B	Parts for statistical and punchcard machines.	8 percent	4 percent	14,726
84.55C	Parts for office machines other than electronic calculators.	11 percent	6 percent	20,393
84.59E	Other machinery, n.e.s.	12 percent	6 percent	31,273
85.19A	Circuit control apparatus and other electrical circuit apparatus.	13 percent	6.5 percent	35,687
85.21AIII	Electronic tubes, other than cathode ray tubes.	15 percent	7.5 percent	16,027
ex87.02AI	Certain motor vehicles, including autos.	22 percent	11 percent	15,039
ex88.02BII	Aircraft, unladen weight of over 15,000 kilograms.	10 percent	5 percent	94,761
88.03	Parts for aircraft	do	do	97,100
97.04B	Games other than playing cards	17 percent	8.5 percent	13,265

[1] Plus $5 per hectoliter per degree of alcohol if in containers of less than 2 l. Ad valorem equivalent of final duty based on 1964 would have been approximately 26 percent.

SELECTED JAPANESE CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty		Imports from United States, 1964 (thousands of U.S. dollars)
		Pre-Kennedy Round	Final	
ex08.05-4	Sweet almonds	15 percent	10 percent	2,746
12.01-1	Soya beans	13 percent	2.4 yens per kilogram (6 percent AVE).	154,045
12.01-7	Safflower seed	5 percent	2.5 percent	21,589
15.01-1(2)A	Rendered pig fat, acid value exceeding 2.	do	Free	6,241
15.02-1	Beef tallow	4 percent	2.5 percent	28,382
ex27.10-1(5)B	Lubricating oils, specific gravity more than 0.8494 at 15° C.	20 percent	15 percent	24,762
ex29.04	Butyl alcohol, ethylene glycol, propylene glycol.	do	do	5,014
ex29.44-2	Certain antibiotics	17 percent	8.5 percent	3,230
76.01	Aluminum and its alloys, unwrought	13 percent	9 percent	2,348
84.22	Cranes, conveyors, lifts, hoists, etc	15 percent	7.5 percent	3,029
84.40	Machinery for cleaning, drying, and finishing textiles and printing repetitive designs on textiles, paper, linoleum, etc.	do	do	4,371
84.44	Rolling mills, rollers, and parts	do	do	8,478
ex84.45-1(6)	Gear-cutting machines, n.e.s., and gear-finishing machines.	do	Part, 10 percent; part, 7.5 percent.	4,458
ex84.45-2	Bending machines, presses, shearing machines, forging machines, and other machines for working metal, n.e.s.	do	7.5 percent	39,562
84.49	Handtools, pneumatic or with self-contained nonelectric motor.	do	do	2,965
Ex84 52	Calculating machines, accounting machines, cash registers, etc. incorporating a calculating device (except digital computers and auxiliary machinery; electric calculating machines with 3 rules or more; electronic bookkeeping and accounting machines with 3 rules or more; and cash registers with 5 or more totaling devices).	do	do	4,443
84.63	Transmission shafts, cranks, bearing housings, gears and gearing, and parts.	do	do	6,503
Ex85.11	Electric furnaces, ovens, and induction and die-electric heating equipment and parts; electric welding machines, except those operated by numerical control systems.	do	do	4,852
85.19	Electrical apparatus for making, breaking, or protecting electrical circuits and parts thereof.	do	do	10,485
90.24	Instruments and apparatus for measuring, checking, automatically controlling flow, depth, pressure, temperature, etc. of liquids or gases.	do	do	3,970
90.29	Parts of instruments or apparatus for measuring or checking falling within BTN headings No. 90.23, 90.24, 90.26, 90.27 or 90.28.	do	do	11,695
Ex92.12-3(2)	Recording tapes, wires, sheets, etc. n.e.s.	20 percent	10 percent	2,296
97.04-3	Equipment for indoor games, parts, and accessories, n.e.s.	30 percent	15 percent	5,204
Ex97.06-3	Golf requisites, parts, and accessories, n.e.s.	20 percent	10 percent	2,935

SELECTED NORWEGIAN CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty[1] Pre-Kennedy Round	Final	Imports from United States, 1964 (thousands of U.S. dollars)
08.12A	Dried prunes	0.12 (4.0 percent)	Free	899
ex15.02A	Inedible tallow	0.08 (7.2 percent)	0.04	298
ex20.06C2b	Canned pineapple, peaches, mixed fruit.	0.06 (29 percent)	0.30	1,700
24.01	Tobacco, raw	Free (unbound)	Free (bound)	5,680
29.35B	Heterocyclic compounds	30 percent	15 percent	149
37.02B	Photo film	4.00 (5 percent)	2.00	405
38.14	Antiknock preparations	20 percent	15 percent	433
68.06A	Abrasive paper	0.16 (3 percent)	0.08	161
73.40C	Articles of iron and steel, n.e.s	10 percent	5 percent	297
84.06C	Outboard motors	do	do	386
84.10A	Pumps for liquids	15 percent	7.5 percent	174
ex84.19B	Dishwashing machines	20 percent	10 percent	338
84.23B	Rotary rock drills	10 percent	8 percent	385
84.51	Electric typewriters	do	5 percent	217
84.53	Statistical machines	do	do	972
ex87.02A	Passenger cars	do	8 percent	1,236
ex87.06B3	Passenger car parts and accessories	25 percent	12.5 percent	679
ex90.14B	Navigational instruments	20 percent	10 percent	234

[1] Rates are expressed in percent ad valorem or in Norwegian crowns per kilogram unless otherwise indicated (Norwegian crowns 7.14 equal U.S. $1). Ad valorem equivalents (1962) of specific or compound duties shown in parentheses.

SELECTED SWEDISH CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty[1] Pre-Kennedy Round	Final	Imports from United States, 1964 (thousands of U.S. dollars)
ex08.02	Lemons	5 kronor per 100 kg. (4.3 percent).	Free	$655
ex19.08	Biscuits and wafers	10 percent	5 percent	622
ex20.02	Canned asparagus	75 kronor per 100 kg. (28 percent).	65 kronor per 100 kg	960
ex20.06	Canned pineapple, peaches, mixed fruit.	25 kronor per 100 kg. (17 percent).	12.50 kronor per 100 kg.	3,772
ex20.07	Canned citrus juices, unsweetened	20 kronor per 100 kg. (29 percent).	7.50 kronor per 100 kg.	599
24.01	Unmanufactured tobacco	Free (unbound)	Free (bound)	21,157
27.01	Coal	do	do	13,383
ex40.06	Adhesive-backed materials	10 percent	5 percent	1,380
84.06	Internal combustion piston engines	do	do	8,693
84.10	Pumps for liquids; liquid elevators	do	do	1,393
84.11	Air and vacuum pumps, compressors, fans, etc.	do	do	1,576
84.15	Refrigerators and refrigerating equipment.	do	do	1,727
84.19	Bottling, dishwashing, packing machinery and parts.	do	do	3,227
84.23	Excavating, leveling, boring machinery and parts.	do	do	5,154
84.49	Handtools, pneumatic or with non-electric motor.	do	do	1,669
84.52	Calculating, accounting, and similar machines.	do	do	3,050
85.01	Generators, motors, converters, etc., and parts.	do	do	2,906
85.19	Electrical circuit apparatus	Part 10 percent; part 15 percent.	Part 7 percent; part 10 percent.	5,559
85.21	Thermionic cathode valves and tubes, etc.	10 percent	5 percent	4,847
87.01	Tractors	do	8 percent	3,774
87.02	Passenger cars, new and used	15 percent	10 percent	11,447
90.10	Photographic and motion picture laboratory equipment.	10 percent	5 percent	1,110
90.24	Apparatus for measuring, etc. the variables of liquids and gases.	do	7 percent	1,051

[1] Rates are expressed in percent ad valorem or in Swedish crowns per 100 kilograms unless otherwise indicated (5.18 Swedish crowns equal U.S. $1). Ad valorem equivalents (1962) of specific or compound duties shown in parentheses.

SELECTED SWISS CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty [1] Pre-Kennedy Round	Most-favored-nation rates of duty [1] Final	Imports from United States, 1964 (thousands of U.S. dollars)
ex08.04	Raisins	8 (7.2 percent)	5	485
ex20.02	Canned asparagus	38 (14.8 percent)	20	2,194
ex20.06	Canned pineapple	40 (34.7 percent)	25	1,172
ex20.06	Canned peaches	45 (32.8 percent)	30	2,426
ex20.06	Canned fruit cocktail	45 (32.8 percent)	40	
ex40.06	Adhesives on nonrubber backings	60 (5.0 percent)	30	1,090
ex40.11	Tires and tubes, except solid	20 (3.8 percent)	16	1,000
ex43.02	Fur skins, tanned or dressed ,not assembled.	45 (0.3 percent)	30	1,338
ex51.04	Woven synthetic fabrics, bleached or dyed.	Part, 700; part, 750 (22.7 percent)	500	1,748
59.01	Wadding and articles of wadding	Part 40; part 60 (6.9 percent).	30	394
ex61.09	Corsets, brassiers, etc., of manmade textiles.	1,200 (12.5 percent)	600	1,472
ex84.10	Pumps for liquids, weighing 25 kg. or less.	60 (3.4 percent)	35	830
ex84.11	Air or gas compressors, weighing not over 5,000 kg.	Part 30 (4.2 percent) Part 40 (5.7 percent) Part 50 (4.6 percent)	Part 15 Part 20 Part 30	944
ex84.15	Refrigerators, finished	90 (19.2 percent)	45	490
ex84.22	Lifting, handling, etc., machinery, weighing 10,000 to 25,000 kg.	20 (6.1 percent)	10	1,021
ex84.23	Excavating, leveling, etc., machinery, weighing 10,000 to 25,000 kg.	20 (3.7 percent)	10	8,554
ex84.34	Machinery, etc., for typefounding or typesetting.	10 (2 percent)	5	717
84.49	Handtools, pneumatic or with nonelectric motors.	70 (2.4 percent)	35	904
ex84.52	Calculating, accounting machines, etc., weighing over 100 kg.	300 (3.8 percent)	230	1,026
84.53	Statistical and accounting punchcard machines.	200 (2.9 percent)	100	5,906
ex84.63	Transmission shafts, cranks, gears, etc., weighing 25 kg. or less.	60 (5.7 percent)	30	1,138
85.05	Handtools with self-contained electric motor.	70 (2.4 percent)	40	428
ex85.19	Electrical circuit apparatus, weighing 0.3 kg. or less.	150 (4.5 percent)	120	1,415
ex90.07	Photographic cameras with 2 shutter speeds.	150 (4.5 percent)	100	668
92.12	Sound recordings and articles for recording sound.	200 (6.1 percent)	110	629
ex97.06	Skis and ski sticks	150 (7.4 percent)	75	741

[1] Rates are expressed in Swiss francs per 100 kilograms (4.3 Swiss francs=U.S. $1). Ad valorem equivalents (1962) of specific or compound duties shown in parentheses.

SELECTED UNITED KINGDOM CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff No.	Brief description	Most-favored-nation rates of duty [1]		Imports from United States, 1964 (thousands of U.S. dollars)
		Pre-Kennedy Round	Final	
ex02.01Bla	Beef tongues	Free (unbound)	Free (bound)	4,874
02.01Blb	Edible offals of beef and veal, other	20 percent	10 percent	
07.05D	Dried white beans	8 percent	4 percent	5,642
08.04B	Raisins	8s. 6d. per hundredweight (7.4 percent).	4s. per hundredweight.	
16.04C	Canned salmon	5 percent	2.5 percent	11,766
29.15	Polyacids and their anhydrides	33.3 percent	23 percent	3,077
29.27B	Nitrile-function compounds	33.3 percent	23 percent	6,963
ex48.01	Kraft linerboard	13.3 percent	10 percent	22,094
76.01A2	Alloys of aluminum	10 percent	5 percent	3,519
84.10	Pumps and parts	14 percent	7.5 percent	7,706
84.23A	Power-operated excavating machines	12 percent	do	15,844
85.19C	Circuit breakers, other	16 percent	8 percent	17,615
87.01A2	Tracklaying tractors, drawbar horsepower exceeding 50.	15 percent	7.5 percent	2,965
90.07A2	Photographic cameras, other	40 percent	20 percent	3,314
90.24	Instruments for measuring, checking, or controlling flow, depth, or pressure, etc.	16 percent	8 percent	2,754

[1] Rates are expressed in percent ad valorem or in British pounds, shillings, and/or pence per hundredweight converted at rate of $2.80 (United States) per British pound. Ad valorem equivalents (1961) of specific or compound duties shown in parentheses.

Chairman BOGGS. Senator Miller?

Senator MILLER. Mr. Ambassador, can you tell us, are there any import duties now in the EEC on our feed grains and feed shipments?

Mr. ROTH. Are you talking about wheat or feed grains?

Senator MILLER. Wheat or feed grains, our export to the EEC, are there any duties that have to be paid over there?

Mr. ROTH. There are. But let me ask Mr. Ioanes.

Mr. IOANES. There are variable levies.

Senator MILLER. There is no change in those, as I understand it.

Mr. IOANES. No change.

Senator MILLER. No reduction?

Mr. IOANES. No, sir.

Senator MILLER. Did the EEC agree to reduce any of its duties on meat?

Mr. ROTH. On certain variety meats. We early decided that in dairy products and meat, as well as in grains, we would try to have a sector negotiation. In dairy products this proved impossible, and it was certainly difficult for the United States. In meat it proved impossible. The Community was very much against opening their own market. But finally they agreed to a bilateral arrangement with the Argentinians. To the extent that the Argentinians, or, say, the Australians, could get meat into the Community and take the pressure off the U.S. market, this was to our advantage.

Finally, an agreement, as I say, was reached between the Argentinians and the Community. At that point in France there were very strong reactions by the farming groups, and the agreement was canceled by the Council of Six. And the Argentinians at that time almost left the Kennedy Round. They didn't. But the answer in short is that the EEC has not opened their market to meat to any great extent, except to some variety meats that we were particularly interested in.

Senator MILLER. We have been shipping some meat over there, especially to France. But I am not asking a question about opening their market, I am asking a question about whether or not they reduced any of their trade areas.

Mr. ROTH. Edible offals and variety meats.

Senator MILLER. What do you mean by variety meats?

Mr. IOANES. The heart, liver, tongue, and innards of animals. This is about a $30 million trade item.

Senator MILLER. To the EEC?

Mr. IOANES. Yes, sir. And the reduction was from a duty of about 20 percent down to about 10 percent.

Senator MILLER. On poultry, as I understand it, there is no reduction of tariffs, except as to canned poultry.

Mr. ROTH. Canned, preserved poultry.

Senator MILLER. No reduction on any other. As I understand, just since the negotiation was concluded, the EEC put another 3 cents a pound on poultry. There are no reductions there.

Mr. ROTH. When we settled the so-called great poultry war we took action against them, as you remember, in a number of products of interest to the Community. During the Kennedy Round they were terribly anxious to get these tariff increases back down again, particularly on Volkswagen trucks. We refused to unless they did something about poultry of advantage to us. And they couldn't. So we stand as we did.

Senator MILLER. And on dairy I said there was nothing done?

Mr. ROTH. No, sir, except we made some cuts on a very few cheeses that do not come under section 22.

Senator MILLER. Now, on our side, did we reduce our import duties on any of their meats coming into this country from the EEC?

Mr. ROTH. We reduced no duties that I remember on meats. We bound an item, but didn't reduce it—canned hams, of particular interest to the Scandinavian countries, of which the Community was a second supplier. And we gave a reduction on goose liver paste.

What we did in the nongrains negotiations with the Community was to try to give them a sprinkling of offers in various areas as they did us. But we gave them less than we received.

Senator MILLER. Then as I see it, to summarize, there were no reductions by the EEC with respect to grain, there was no access with respect to grains, there was some reduction with respect to meats, and there was no reduction with respect to poultry except with respect to the canned chickens, no reductions with respect to dairy foods. And what I come up with is that there is concern over the implementation of the policy which has been stated by the President and by Mr. Herter and by you publicly on several occasions, and privately to me in correspondence, by both Mr. Herter and by you, that consistently any trade agreements would have to include "meaningful concessions by the European Community with respect to their agricultural trade barriers."

What I am running into, Mr. Ambassador, is criticism of the failure to implement that policy. And it may be that for a few people who export those specialty items that you referred to that this will be helpful. But looking at the agricultural community as a whole, and especially the exporters of grain, feed grains, and wheat, and the exporters of what we normally consider meat, I don't see any meaningful concessions. I recognize that there is this food aid angle, but I don't look upon that as a concession in the lowering of trade barriers. And of course there is no access that may necessarily accompany that. We just take our chances with other exporting countries that 1 million tons of food aid that might open up the market in the EEC will be available to our suppliers, but there is no guarantee that our farmers are going to get that. There is no guarantee that our 9 million tons a year of grain shipments to the EEC will continue.

Now, this is the kind of criticism I receive. And I have just laid it out on the table for you to comment on. Because I certainly don't want to have my own criticism misdirected. And I want to be responsive to the critics. So I would appreciate your comment on that.

Mr. ROTH. Senator, I thank you very much for giving me this opportunity, because I think your questions are very fair ones.

Let me say that I think the criticism that I have seen distorts the issues somewhat. Because, one, the critics are talking about our trade with only one of our agricultural markets; namely, the European Community.

Senator MILLER. But they are talking about it, Mr. Ambassador, in the light of the publicly expressed policy that any trade agreement will have to include meaningful concessions by the European Community with respect to their agricultural trade barriers.

Mr. ROTH. I am aware of this.

Secondly, when they say we did not get anything substantial from the European Community, they are talking about those areas—and poultry is one of the best examples—where the variable levy exists, where the common agricultural policy has come into being. We would like to have seen the EEC change their basic policy. There was absolutely no opportunity to do this. They would not. They had six countries that came together over a period of years and put together a policy which may in the future be changed, because it is too expensive over the years, but it could not be changed in the Kennedy Round. They made us some offers based on variable levies, say, in some of the fruit areas, where we presently have bindings of tariff reductions. We turned those offers down, because we said, as long as you have a variable levy these offers are meaningless, and rather than accept a bad offer we will keep our bindings.

But in spite of this—and this comes back to the first part of your question—we got offers of value from the Community, not just in variety meats, but in tobacco, dried vegetables, citrus, fruits and nuts, tallow——

Senator MILLER. What did you get on tallow, may I ask?

Mr. ROTH. I think that was a 50-percent reduction.

Might I say that, after 4 years of negotiations, 30 days before the end of the negotiation we had from the Community on the table $50 million worth of agricultural offers. And I made it a point at that time that this was not acceptable, that we could not conclude the Kennedy Round with merely token offers on the table. And this was made strongly time after time after time. And finally, point by point in the final hours of the negotiation before May 15 we got this up to in excess of $200 million in terms of trade coverage.

So it is not correct to say that we did not get something of substance, or something of importance in the Kennedy Round from the EEC. We would like to have gotten more. And looking to the future, we have to find some way to deal with the common agricultural policy and variable levy. But never before in a trade negotation have we made this kind of breakthrough in agriculture.

Senator MILLER. You said you had $200 million covered in agricultural items with the EEC.

Mr. ROTH. In excess of that.

Senator MILLER. In excess of that. Looking at it from the industrial products' side, how many millions of dollars did you have covered, how many were included in your agreement with the EEC?

Mr. ROTH. $2.4 billion.

Senator MILLER. $2.4 billion. Now, the $2.4 billion would be roughly 45 percent, I believe, the total volume of trade with the EEC, would it not?

Mr. ROTH. I am sorry, sir?

Senator MILLER. The $2.4 billion which you said was covered by the industrial negotiations would comprise approximately 45 percent of the total trade in 1966 with the EEC. According to my figures, we had total exports of $5.2 billion to the EEC in 1966. So that the $2.4 billion would comprise about 45 percent of the total exports. As a mater of fact, the $5.2 billion total exports minus $1.5 billion of agriculture would leave $3.7 billion which probably would embrace industrial items. And you have tabled $2.4 billion worth, which is well over 50 percent of the industrial loans. But when it came to agriculture you tabled $200 million worth as against $1.5 billion of total agricultural exports.

So, looking at it from the standpoint of a ratio, well upward of 60 percent of our industrial items were tabled, but only about 7 percent of our agricultural items were tabled.

Do you follow me?

Mr. ROTH. I follow you, Senator. I am not certain about your figures, but I would like to provide our own.

Senator MILLER. These figures can be substantiated, they are in our Joint Economic Committee report at page 89.[1] And they were based on Government reports.

(The tables referred to by Senator Miller are reprinted herein:)

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[1] Senate Report No. 73, 90th Cong., first sess., 1967, Joint Economic Committee Report.

TABLE IV.—U.S. IMPORTS, 1964, 1965, AND 1966

[In millions of dollars]

	Total imports	Agricultural imports	Agricultural imports as percent of total imports
1964	$18,600	$4,082	22
1965	21,282	4,088	19
1966	25,408	4,492	18
1961-63 average			24
1964-66 average			20
From the European Economic Community:			
1964	2,831	258	9
1965	3,316	270	8
1966	4,098	306	7
1961-63 average			10
1964-66 average			8
From United Kingdom:			
1964	1,132	23	2
1965	1,403	24	2
1966	1,761	30	2
1961-63 average			2
1964-66 average			2
From Japan:			
1964	1,763	40	2
1965	2,401	37	2
1966	2,948	37	1
1961-63 average			3
1964-66 average			2
From Canada:			
1964	4,227	176	4
1965	4,813	234	5
1966	6,108	240	4
1961-63 average			5
1964-66 average			4

TABLE V.—U.S. EXPORTS, 1964, 1965, AND 1966

[In millions of dollars]

	Total exports	Agricultural exports	Agricultural exports as percent of total exports
1964	$26,086	$6,347	24
1965	27,003	6,229	23
1966	29,912	6,885	23
1961-63 average			26
1964-66 average			23
To European Economic Community:			
1964	4,481	1,416	32
1965	4,904	1,476	30
1966	5,264	1,561	30
1961-63 average			32
1964-66 average			31
To United Kingdom:			
1964	1,446	440	30
1965	1,537	398	26
1966	1,645	471	29
1961-63 average			38
1964-66 average			28
To Japan:			
1964	1,894	720	38
1965	2,042	876	43
1966	2,312	942	41
1961-63 average			35
1964-66 average			41
To Canada:			
1964	4,653	[1] 815	13
1965	5,486	[2] 620	11
1966	6,487	[3] 626	10
1961-63 average			14
1964-66 average			11

[1] Includes $160,000,000 in transit shipments.
[2] Includes $176,000,000 in transit shipments.
[3] Includes $140,000,000 in transit shipments.

Mr. ROTH. I think we are using different years.
Senator MILLER. I am talking about 1966.
Mr. ROTH. We are using 1964.
Senator MILLER. I could take 1964 if you like.
Mr. ROTH. I think you make your point.
(The following table was later supplied:)

KENNEDY ROUND CONCESSIONS—UNITED STATES AND EEC TRADE

[1964, millions of dollars, c.i.f.]

	Dutiable imports (except grains)		Average cut, dutiable	Free, bound in Kennedy Round	Grains (trade coverage)
	Total	Conces-sions			
Total:			Percent		
(a) U.S. imports from EEC	2,656	2,136	34	4	3
(b) EEC imports from United States	3,065	2,627	29	289	452
Agricultural:					
(a) U.S. imports from EEC	202	117	13	1	3
(b) EEC imports from United States	445	223	13	19	452
Nonagricultural:					
(a) U.S. imports from EEC	2,454	2,019	36	3	
(b) EEC imports from United States	2,620	2,404	32	270	

Senator MILLER. And the point is that when it comes to working out an agreement with the EEC, we tabled about 60 percent of the industrial volumes. But when it came to agriculture we only tabled about 7 percent.

Mr. ROTH. If you are talking in terms of U.S. offers——

Senator MILLER. I am sorry, about 15 percent.

So when it came to getting down to negotiations on agricultural items, we only got together on about 15 percent of our trade items. And on industrial items we got together on about 60 percent. And my point is that it doesn't look like we came out very well on agriculture overall, certainly not compared to industry, to the other industrial items. And I say this just to make the record straight. I understand and appreciate the difficulties you people face. But I come back to that basic policy that there weren't going to be any trade agreements with the EEC until they made meaningful concessions on agriculture. Now, what is meaningful is something that you get into semantics on; $200 million offhand sounds meaningful. But the ratio that I point out, amounting to only 15 percent of our agricultural trade, I suggest to you is woefully weak compared to the industrial items of 60 percent.

Mr. ROTH. Senator, I feel that your point is well taken. Certainly more was done in the industry, and we expected to do more, than in agriculture. I think we did get offers of real substance in agriculture from the EEC. And, secondly, we only paid for what we got.

But there are many areas in agriculture unlike in industry, or more so than in industry, which are very difficult to negotiate in. Take dairy products; they wanted to negotiate in dairy products more than anything else, but we couldn't, because, except for Roquefort, and certain other cheeses, everything was under section 22. And most recently; namely, a week ago, the President and the Secretary of Agriculture had to announce certain changes in cutback, because of problems domestically in the import of cheese. We couldn't go into that area. We were quite frank. Then they came back time after time and said, why can't you negotiate in the agricultural area of the greatest interest to us. And we had to say that each country in agriculture does have problems. They are more difficult than in industry, because they are related to farm income, and varying elements such as that.

So all I can say, Senator, is that in this area all the countries—I am not talking only about the Community and the United States—made a very substantial first step. But it is only a first step.

Senator MILLER. One more point. In connection with the wheat price the point was made that the wheat price would range from, well, a minimum of $1.80. Another criticism I hear was that this was meaningless because the world price at gulf ports is substantially over that. What is your answer to that?

Mr. ROTH. Senator, finding the right mean price, which came out at $1.73 U.S. No. 2 Hard Winter at the gulf, was a very difficult one. The other exporters, and the Canadians in particular, having in mind advance contracts with markets other than those we serve—the Soviet Union, China—were interested in as high a price as possible. So were many of our producing groups; $1.85 is where we started in the negotiations with the others, which was a price much too high principally for the Japanese and the United Kingdom, and even for the Community. And so we realized that this would be a price that we might have to lower.

On the other hand, the U.S. grain traders felt that we should increase the price as little as possible, because too high a price would undermine U.S. competitive position.

So we had to find a price in the proper range.

I would like to add that when we first began talking to the exporters about a minimum price, we tried to develop a rather rigid mechanism that would protect that minimum when the price fell that low. And we came basically to a kind of sharing-the-market concept. Many farm groups had great trouble with this, and certainly the grain traders did, too. So we threw that out. Now we have a consultative mechanism under the agreement which operates when you begin to approach the minimum price. But it is a much more flexible arrangement.

I am sorry to be so long in explaining what our thinking is. This position developed over almost a year and a half, in close consultation both with producers on one side and the grain traders on the other.

Senator MILLER. I can see and understand that this is a complex matter, and that it would be something that would require a lot of weighing of fact. My only point is that I am not able to see—and I must agree with the critics on this point—I am not able to see any particular advantage to the American grain farmer of having a $1.80 per bushel world price when the world market is now at $1.83. It may be that the market will go down and the $1.80 had been helpful, but nobody knows that. And I think that the statement that this was a great boon to the grain farmer, especially the wheat farmer, may be a little euphoria. I just want to get this thing in perspective. And I cannot reply to the critics right now by saying, oh, well, maybe the price will go back down below $1.80 and you will be protected; they are going to come back at you and say, you don't know what the future will bring. I take it you were trying to put a floor under this.

Mr. ROTH. That is right, Senator. We didn't want a minimum price so high that the world price for large parts of the year would rest on that minimum. We wanted and expected an increase underpinning which would permit the world price to float above it, so that we could maximize our competitive position.

Senator MILLER. One last question. I know it is not easy to gaze into a crystal ball, but you must have done this, especially in consultation with your agricultural adviser. Is it your evaluation that as a result of the Kennedy Round of negotiations our export of grains to the Common Market will not decrease?

Mr. ROTH. My simple answer to that would be yes. Perhaps Mr. Ioanes would like to add something?

Mr. IOANES. I would certainly agree to this. We took no action in grain or any other item that would decrease our exports. We already talked of the benefits that would come with the million ton food aid package, either from the Community itself or from third markets. And I can think of no other action we took that would result in a downturn in our grain marketing to Europe.

Senator MILLER. My question, by the way, should include soybeans as well. Would your answer hold to that?

Mr. IOANES. Soybeans were already bound duty free, and continue to be.

Senator MILLER. And it is your forecast that they are in their rolls——

Mr. IOANES. I would be optimistic with reasonable certainty that our marketing of soybeans would continue to expand in future years as it has in the past.

Mr. ROTH. And we also have a decrease in our soybeans tariff to Japan.

Senator MILLER. Yes, I understand.

I appreciate very much the testimony of not only the Ambassador, but his colleagues. And I thank my chairman for his indulgence in giving me so much time.

Chairman BOGGS. Thank you very much, Mr. Ambassador, and the members of your staff for coming here.

We will adjourn until 10 a.m., tomorrow, Wednesday, July 12, when we will meet in room S-407 of the Capitol.

(Whereupon, at 12:25 p.m., the committee was adjourned to reconvene at 10 a.m., Wednesday, July 12, 1967.)