

THE FUTURE OF U.S. FOREIGN TRADE POLICY

THURSDAY, JULY 20, 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, Bolling, Reuss, Rumsfeld, and Curtis; and Senators Proxmire and Percy.

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.

I am very pleased today to have two very distinguished witnesses, former Under Secretary of State, George Ball, and Mr. David Rockefeller. Mr. Rockefeller's plane has been slightly delayed in landing.

Mr. Ball, we are very glad to have you here.

I might say that it was largely the work of Secretary Ball and his colleagues that made possible the 1962 act and the Kennedy Round. So, we have a very experienced and able witness before us this morning.

We welcome your appearance, Mr. Ball.

STATEMENT OF HON. GEORGE W. BALL, FORMER UNDER SECRETARY OF STATE

Mr. BALL. Thank you very much, Mr. Chairman.
Mr. Chairman, and members of the committee:

I

Thirty-three years ago the United States abruptly reversed the course of its commercial policy and set its compass in a direction that we have been following ever since. The decision to steer by a new chart was born of economic hard times. It was based on the simple, straightforward proposition that our high tariff policies had, by fragmenting world markets, dried up international trade and helped to produce a worldwide depression. By the Reciprocal Trade Agreements Act of 1934 we undertook, through freeing the movement of goods, to stimulate business for our farms and factories, to create jobs, and to help a battered world find its way back toward prosperity.

The enactment of that legislation launched the United States on a sustained period of leadership in international commercial policy. Since then, by a succession of reciprocal trade negotiations, we have changed the trading habits of the world.

Today, with the completion of the Kennedy Round, we are within sight of the fulfillment of the original vision of Cordell Hull and of his intrepid and dedicated disciples, such as Will Clayton. To be sure we still have some distance to go before tariffs cease to be a factor in restricting trade and we should not lose momentum. But we have arrived at what I regard as a significant watershed in world economic progress, and it is a good time for us to take stock of our position. Just as three decades ago we fixed our sights on the tearing down of tariff walls, we should now take new navigational bearings and reset our compass toward a farther horizon.

For our modern world is different in almost every respect from that of 1934. Then a handful of European metropolitan nations dominated one-third of the world's population through colonial structures that were at the same time closed trading systems, while American industry concentrated on our domestic market. It was a very wide world. No one could cross the Atlantic in less than 5 or 6 days, and anyone traveling to the Far East had to set aside months for his visit. Producing and even selling abroad were still thought of as something exotic and quite outside the scope of most American enterprises.

But the modern world is marked by air transport and telephones and teletypes, computers and automation; it is a world in which thousands of American companies no longer make much operational distinction between domestic and international trade. They no longer see their markets or their production limited by national boundaries but do business in every corner of the globe, utilizing raw materials and components, plant facilities and capital, labor and managerial talent wherever they may find them so as to produce the highest yield with the least cost to serve markets wherever they can be developed.

Underlying this activity is an inarticulate premise. However our Government may define the policies of the United States, the great American industrial enterprises have defined their own policies in terms of a world economy. They operate as though that world economy were a fact, and it is, I suggest, sound policy for us to shape our governmental action so as to help give reality to that assumption.

For the widespread development of the multinational corporation is one of our major accomplishments in the years since the war, though its meaning and importance have not been generally understood. For the first time in history man has at his command an instrument that enables him to employ resources flexibly to meet the needs of peoples all over the world. Today a corporate management in Detroit or New York or London or Dusseldorf may decide that it can best serve the market of country Z by combining the resources of country X with labor and plant facilities in country Y—and it may alter that decision 6 months from now if changes occur in costs or prices or transport. It is the ability to look out over the world and freely survey all possible sources of production, to study markets, and to use all of the factors of production with great flexibility that is enabling man to employ the world's finite stock of resources with a new degree of efficiency for the benefit of all mankind.

But to fulfill its full potential the multinational corporation must be able to operate with little regard for national boundaries—or, in other words, for restrictions imposed by individual national governments.

To achieve such a free trading environment we must do far more than merely reduce or eliminate tariffs. We must move in the direction of common fiscal concepts, a common monetary policy, and common ideas of commercial responsibility. Already the economically advanced nations have made some progress in all of these areas through such agencies as the OECD and the committees it has sponsored, the Group of Ten, and the International Monetary Fund, but we still have a long way to go. In my view, we could steer a faster and more direct course if the United States and the other major trading nations were to set a common goal by agreeing that what we seek at the end of the voyage is the full realization of the benefits of a world economy.

Implied in this, of course, is a considerable erosion of the rigid concepts of national sovereignty, but that erosion is taking place every day as national economies grow increasingly interdependent, and I think it desirable that this process be consciously continued. What I am recommending is nothing so unreal and idealistic as a world government, since I have spent too many years in the guerrilla warfare of practical diplomacy to be bemused by utopian visions. But it seems beyond question that modern business—sustained and reinforced by modern technology—has outgrown the constrictive limits of the antiquated political structures in which most of the world is organized, and that itself is a political fact which cannot be ignored. For the explosion of business beyond national borders will tend to create needs and pressures that can help alter political structures to fit the requirements of modern man far more adequately than the present crazy quilt of small national states. And, meanwhile, commercial, monetary, and antitrust policies—and even the domiciliary supervision of earth-straddling corporations—will have to be increasingly entrusted to supranational institutions.

Already we have seen this process beginning to work in Europe where six nations have created an Economic Community dedicated to the achievement of an integrated economy. Hopefully—I would say almost certainly—within the next 1 to 5 years that Community will be enlarged to include at least one other great trading nation, the United Kingdom.

To be sure, the members of the Community are finding the path increasingly hard going as they tackle the cherished prerogatives of nation states. In practical terms they are discovering that their failure to make progress toward political unity is severely holding back the full merger of their economies. Nevertheless, they have recently been able to reach agreement on a common approach to taxation. But they are suffering, and suffering rather querulously, from their inability to agree on a common companies law, or common social policies, or to achieve a sufficient degree of common action in monetary matters. Thus, European businessmen live in a state of anxiety. They are worried that their industries may be swallowed by giant U.S. enterprises. They are concerned that they are losing place in the technological race because their relatively small companies cannot afford

the cost of adequate research and development and thus there is a widening technological gap. They are fretting about the brain drain of their scientifically equipped personnel to America. They are worried because they do not have access to an adequate capital market enabling Europe efficiently to mobilize the savings of its citizens and thus keep pace with American corporate investment.

All these quite legitimate apprehensions stem from the obsolescence of the European political and economic structure, and they will be corrected only when enough Europeans recognize that fact. Meanwhile, I listen with more regret than sympathy to complaints that are founded on a refusal to come to grips with the essential problem. It does no good to talk about a technological gap so long as European companies find it almost impossible to merge across national boundaries because of fiscal impediments and the lack of a uniform companies law, and there is little purpose in talking about the creation of an adequate capital market unless Europe is ready, through greater political unity, to move not merely toward the adoption of common monetary policies, but a common currency.

I suspect that Europe will be able to achieve a fully integrated economy only when the present nostalgic nationalism proves its incapacity to deal with the hard problems of the latter 20th century. Meanwhile, there is much that all of us can do within the limitations of existing political structures to bring about the conditions of a world economy. For we will never be able to put the world's resources to use with full efficiency so long as business decisions are frustrated by a multiplicity of different restrictions by relatively small nation states that are based on parochial considerations, reflect no common philosophy, and are keyed to no common goal.

But in view of the apparent vitality of old habits of thought, is the goal I have suggested a realistic possibility? Certainly it is nothing that will happen overnight. Yet, if we can achieve even a moderate degree of common purpose we may bring about the conditions of a world economy in considerably less than the 34 years it has taken us to reduce tariffs to their present relatively low levels.

The first step is for us to examine in detail the wide spectrum of measures that a world economy implies. Such an examination is a something for the economically advanced nations to undertake together since what we mean as a world economy will, for many years to come, be largely confined to these advanced nations, which lies principally in the Northern Hemisphere and in Western Europe, North America, and Japan. At the same time we should clarify our thinking regarding two other sets of problems: those involving our trading relations with the poorer nations—the underdeveloped or developing countries as they are commonly called—which lie largely in the Southern Hemisphere, and our trading relations with the nations behind the Iron Curtain.

II

There is a common complaint among the less-developed nations that, while the advanced nations have provided foreign assistance, they have largely ignored the trading problems of countries that are only beginning to experience the industrial revolution. The solution strongly

urged in UNCTAD (the United Nations Conference on Trade and Development) is for the advanced countries to offer preferential tariff treatment to the industrial products of the developing nations. This would make it possible, so the argument goes, for the developing countries to earn foreign exchange and accumulate the capital they so urgently need.

A strong theoretical case can be made for this proposal, yet I have never believed that it was politically realistic. Let us, for example, consult our own experience. The weaving of textiles is, after all, the classical case of labor-intensive light industry best suited to the resources and abilities of countries just crossing the threshold of industrialization. Yet, the moment that the developing countries began to send their cotton textiles into our U.S. market in any volume, the pressure from our domestic producers compelled us to restrain imports through a succession of international arrangements.

Since we have denied nondiscriminatory entry to the textiles of the developing countries on the ground that they are produced by cheap labor and thus disrupt our markets, how can one possibly believe that the advanced countries would be prepared to accord the developing countries preferential treatment for their manufactures on a generalized basis?

For it is one of the ironic facts of present day society that while we talk glibly of "trade not aid" and make speeches about the need for the developing countries to earn their own way, the advanced countries find it far easier to provide resources through gifts or long-term loans than to open their markets. The reason for this is, of course, obvious—that the opening of markets creates problems for specific and articulate groups who can translate their unhappiness into political action, whereas the burden of foreign aid falls on the taxpayer.

But if generalized preferences for the developing countries are not, as I see it, the wave of the future, what about discriminatory preferences to specific countries? Should we, for example, as has been often suggested, set up a special trading system with Latin America in which we would grant their products favorable treatment in our market while they would accord reciprocal favorable treatment to our products in their markets?

This is the kind of question that cannot be answered intelligently unless we are quite clear as to the whole set of structural relations we envisage between the industrialized north and the preindustrial or semi-industrial south. This is an important question, since the rich nations can never efficiently work together in assisting the poor nations unless they reach some common agreement as to the general shape and structure of the totality of these north-south relations. We have paid very little attention to this problem, but we cannot go on ignoring it forever since pressures are building up that will require us to face it frankly.

The problem is an important one, because it raises the central question as to whether we should continue to cast our relations with the rest of the world in universalist terms or should move avowedly toward some tacitly or explicitly agreed allocation of responsibilities, which cannot and should not be disassociated from the whole question of spheres of influence. At the moment there are two existing systems of north-south relations—rarely acknowledged or differentiated. One

is what we might call the open system. The other consists of a series of closed systems. The basic assumption of the open system is that all industrial countries of the free world will accept responsibility for the economic, commercial, and political well-being of all developing countries without discrimination. They will, through systematic consultation, concert their efforts to achieve that objective. The closed system, on the other hand, assumes that specific industrial countries or groups of countries in the north will maintain special relations with specific developing countries or groups of countries in the south, and will establish preferential and discriminatory arrangements to reinforce these relations. This is the situation, for example, that exists with regard to the African States of the French Community and, to a lesser extent, within the British Commonwealth.

The United States has been the leading proponent of the open system, but the existence of even incomplete closed systems, as in Africa, has led to demands that we extend similar arrangements to Latin America, many of whose products compete directly with those of African nations. Up to this point we have been firmly loyal to the principle of nondiscrimination; but recently the pressure for a special trading regime with Latin America has become more clamorous, in part at least because the European Economic Community has been expanding the closed system, in practice if not in principle.

The activities of the European Economic Community—the Common Market—in this connection are rooted in colonial arrangements. The provision of preferential access to the products of certain African countries resulted initially from the preferential regime that existed within the French community. At the present time, of the 38 independent African States, 18 former French, Italian, and Belgian territories are already associate members of the European Common Market. Two more areas of Africa may well come in: the Maghreb countries of Algeria, Tunisia, and Morocco, and (in the event that Britain enters the Common Market) the 12 African members of the British Commonwealth. After the coup in Nigeria in January 1966, the Nigerian Government signed an as yet unratified agreement with the Common Market for associate membership, which would have entitled Nigeria to the privileges both of the British Commonwealth preference system and the preferential system of the European Community. I am not quite sure what is going to happen to that arrangement, given the present state of turmoil in that unfortunate country.

Talks underway with Kenya, Tanzania, and Uganda broke down last year because the African States refused to grant preferences for imports of the Six in return for full access for their exports to the Common Market, but there are indications that such talks may be revived, since the African States in question have had second thoughts and may now be ready to work out some reciprocal arrangements although insisting on special protection for their own industries. Since the European Community has provided its African associates with more than \$1.5 billion of aid over the past 7 years, the African States have found associate membership profitable in addition to the trade advantages; and this does not include substantial grants of aid still provided directly from Paris to the nations of the French community and directly from Brussels to the Belgian Congo.

Three or 4 years ago, when I was in the Government, I initiated a series of talks with the French and British Governments in an endeavor to persuade them to phase out their preferential systems and move toward a regime of nondiscrimination. Those talks met with lukewarm response and their failure led me to conclude that the issue of American policy could not be resolved on any doctrinal basis; but that, sooner or later, if the European Common Market continued to increase the geographical scope of its preferences to Africa, we would be faced with serious problems in other parts of the world. Those problems would become even more acute if Britain should join the Common Market and the preferences now enjoyed by African members of the British Commonwealth be extended so as to give them favored access to the whole Common Market.

To my mind these trends, while undesirable, can scarcely be ignored, and if they continue we shall have to accept them as political facts and shape our policies accordingly. If Europe is not prepared to accept responsibility for the third world on a universalist basis then perhaps some regime of closed systems may be necessary. But in that event should we not go the full way? Should we not seek the benefits of a geographical division of responsibilities?

Should we not insist, in other words, that arrangements for commercial preferences carry with them substantial obligations on the part of the industrialized partner? Thus, for example, if the European Economic Community continues to expand its system of preferences for Africa, should we not make it clear that we will look to the nations of the community to carry the burden of economic assistance, and where necessary political tutelage for those African countries that enjoy such preferences? In practice this would mean an American recognition of the primacy of the European interest in Africa, and consequently the primacy of European responsibility for providing foreign aid, and looking after the education, health, and defense of the African people. We would, in other words, recognize that Africa was a special European responsibility just as today the European nations recognize our particular responsibility in Latin America.

I do not raise this question in the belief that the division of the world into a series of north-south slices is the best solution. I would much prefer to see the other advanced nations take a generalized responsibility toward the poor nations in the south, but if they are not going to do so—and the reason that they are not going to do so is because they haven't gotten their own political structure in modern form—then perhaps we should settle for some sectionalizing of the world that would involve and agreed concentration of effort by particular advanced nations of the north for the benefit of particular poor nations in the south within the framework of preferential trading systems. Such an approach has obvious disadvantages since it would not contribute to the best use of resources, but at the end of the road we may well find that this is the most effective way to share our burdens with the other advanced nations.

III

I shall not attempt this morning to deal with the problem of East-West trade, since that raises a special set of questions bearing on our present and prospective relations with the Communist world. I urge

only that when this committee comes to look at this problem it do so hardheadedly so that we do not continue to deny trading opportunities to American business when the goods are going to be provided anyway by other Western countries if we do not provide them ourselves. In other words, all I am suggesting is that we look at this problem critically and unemotionally and try to free it from the moralistic mush in which it is so often submerged.

Thank you very much.

Chairman BOGES. Thank you, Mr. Secretary. Mr. Bolling?

Representative BOLLING. Mr. Secretary, it is a pleasure to hear you again.

I wonder if you would expand a little bit on the last point you made. I think the rest of your statement is very explicit and clear. I have some questions, but I think I will leave them until later. But on that last point which you made very briefly about East-West trade, it is clear to me what you meant, but I wish you would make it more explicit.

Mr. BALL. Mr. Bolling, the problem we encounter again and again in our trading relations with the Iron Curtain, or for that matter, even with Red China, is that our producers are denied the opportunity of making perfectly good sales of their products in the belief that we are hurting the Iron countries by denying them something, when the fact is that they can get these same products elsewhere, and do get them elsewhere. All we are doing is an act of self-flagellation that doesn't advance the American interest.

Part of this, I think, results from a cultural lag on our part. It results from the assumption that the United States has a practical monopoly of technology in the world, that therefore anything that the Iron Curtain countries can buy from the United States is going to be better than what they can buy elsewhere, and that, to the extent that we deny them the opportunity to buy machines or equipment from the United States, they are going to have to get a poorer product somewhere else, and thus they are going to suffer by it. I think in a very large number of cases this is nonsense. In the first place, an enormous number of American companies have licensed their patents and know-how overseas. Europe itself has spurred ahead technologically, as has Japan, and as has Canada. There is very little that we have that other nations don't have where our denial would have any practical effect on whether the Iron Curtain countries would get the product, or not.

We no doubt do indulge a feeling of moral satisfaction from not selling to the Iron Curtain countries. But I think it is rather stupid, because by and large, except for a certain list of strategic goods, with which we are in agreement with the other NATO powers—the so-called Cocom list—most of the things the Soviet Union wants it can buy elsewhere, and there is no particular reason why we should be hard on our own producers.

Now, I would say the same thing with regard to Red China, but with a qualification. The case I was thinking of, specifically, was American wheat. I think it is a terrible shame that we didn't offer our wheat on the market some years ago when Red China was buying from Australia and Canada. The American wheat farmer would have enjoyed a prosperity he has never known in history. The Chinaman got his wheat. He could have bought it just as well from us, and the American

farmer would have enjoyed a certain prosperity, and China would have been in the same position, no matter what happened. It seems to me that this was a situation where we let a kind of primitive morality get in the way of practical good sense.

Representative BOLLING. On that last point, Mr. Secretary, not long ago some of the members of the Kansas City Board of Trade in my district, all of them good Republicans, complained bitterly about the unrealism of our policy on that particular subject. And I took pleasure in telling them that the main effort in seeing to it that we had this moralistic policy came from others than I.

I thank you very much, Mr. Secretary.

Chairman BOGES. Mr. Rockefeller has just arrived. We will go ahead with him.

STATEMENT OF DAVID ROCKEFELLER, PRESIDENT, CHASE MANHATTAN BANK

Mr. ROCKEFELLER. Mr. Chairman and members of the committee, first of all, let me apologize for my delay. I was unfortunately held up over at the airport for an hour and then was sent to Dulles.

For the record, my name is David Rockefeller. I am president and chairman of the executive committee of the Chase Manhattan Bank.

I appreciate very much, indeed, the invitation to appear before a group which, in my opinion, is contributing significantly to better public understanding of U.S. trade policies in the wake of the most sweeping tariff reductions in the history of international trade.

The subject that engages your attention also holds special interest for me for two reasons: first, because it is so directly relevant to what I regard as the major challenges of our time; second, because a good part of my own life has been devoted to studying various aspects of world trade, though I hasten to add that I assert no claim whatever to expert knowledge in this enormously complex area.

Over the past 2 weeks, you have heard testimony from a number of illustrious witnesses about the impact of the worldwide lowering of tariffs. At this early date, any technical evaluation of the over 6,000 U.S. tariff changes is impossible and must await detailed analysis. But a good guess might be that as a direct result of the Kennedy Round, U.S. exports and imports will rise by around 5 percent, with the gain spread over a period of 5 years or more.

This relatively modest percentage impact translates into an increase of close to \$3 billion in total U.S. foreign trade. So, you can readily see what it could bring in terms of export opportunities as well as somewhat stiffer import competition. In some instances, substantial adjustments may be required. For this reason, I fully support President Johnson's proposal to improve the adjustment assistance provisions of the Trade Expansion Act, so that both industry and labor will find it easier to obtain prompt and adequate aid if adversely affected by the tariff cuts.

The great promise of the Kennedy Round, as I see it, is the effective increase in export opportunities brought about by the reciprocal reductions in foreign tariffs. I feel strongly that U.S. businessmen should approach the results in this affirmative manner, seeking to supply new

foreign markets rather than worrying about greater import competition at home. And it seems to me the expanded opportunities for additional sales abroad should outweigh any adverse import competition, resulting in a net benefit to our balance of payments.

For one thing, the roughly reciprocal tariff reductions should assist U.S. trade more than that of Western Europe if only because we start out from the competitive advantage of running a substantial trade surplus—something on the order of \$4 billion this year. So, even if U.S. imports were to increase by a larger percentage than exports, our trade balance still would improve.

The Kennedy Round tariff cuts will reduce the inherently discriminatory impact of the European trade blocs. Eight years ago, when European countries began to eliminate tariffs among themselves, exporting from the United States became relatively more difficult. But the lower the external tariffs of the European trade blocs, the smaller will be their discriminatory impact. Indeed, the major reason President Kennedy proposed the Trade Expansion Act in 1961, you will recall, was to reduce the European Common Market's diversionary effect on world trade. The goal has been largely accomplished in industrial, if not in agricultural, products.

In looking ahead one might suppose that another round of international tariff negotiations could provide a still further boost to world trade, and the U.S. policy should continue to pursue the goal of multi-lateral tariff reductions.

However, I suspect that the Kennedy Round is likely to be the last such worldwide tariff-cutting session for some time. The Geneva negotiations—long drawn out and often acrimonious as they were—indicated there would be little further scope for another similar exercise soon. Tariff levels are now quite low, averaging an estimated 8 per cent on industrial products in the United States and Western Europe. So, further cuts would probably provide a comparatively smaller overall stimulus to trade than the present reduction.

What's more, new reductions in the remaining tariffs could prove more difficult to secure. These tariffs often constitute important special protection, with strong domestic interests opposing any further cuts. In addition, there could well be an absolute resistance on the part of regional trade blocs—both in Western Europe and elsewhere—to preserve at least minimal external tariffs, since preferential treatment within the blocs was the main incentive for their establishment in the first place.

My feeling, therefore, is that additional general tariff reductions along the lines of the recent Kennedy Round are not in the cards. To be sure, further progress in tariff-cutting can and should be made. I am very much in favor of providing the Government with some type of negotiating authority to carry out minor adjustments. This could include possible elimination of so-called nuisance tariffs—those which are already below 2 percent and which serve only to increase administrative costs. But no new general tariff reductions seem feasible in the foreseeable future.

This means that after six rounds of GATT negotiations since the Second World War, U.S. trade policy will most likely face in the years ahead a completely different set of policy issues from those of the past. In my view, three of these issues merit special attention.

First, the problem of nontariff barriers which, after the Kennedy Round, remain the most serious obstacles to trade expansion.

Second, the demand of many less-developed countries for some kind of preferential tariff treatment.

Third, the pattern of U.S. trade relations with Canada, a particularly compelling issue in view of the steady expansion of regional trade arrangements in other parts of the world.

In the area of nontariff barriers, some headway was made in the Kennedy round, most notably the successful negotiations of an anti-dumping code, and modification of certain European trade restrictions as part of the agreement to eliminate the American selling price valuation of some chemical imports. But other important nontariff barriers remain as impediments to trade. For instance, there are the European border taxes which are levied against imports as an offset to domestic sales taxes and which are refunded to European exporters on the grounds that such taxes are not imposed in foreign markets.

Though this practice of offset and refund is sanctioned under GATT, I must confess to considerable misgivings over the principle and its practical validity. European countries derive a major part of their revenue from sales taxes at each stage of the manufacturing and distribution process, while income taxes are relatively less important. In the United States, on the other hand, the overwhelming part of business taxation is in the form of income taxes. Thus, contrary to European manufacturers, American businessmen cannot claim part of their tax liability as export refunds.

Other important nontariff barriers are differential government procurement policies with respect to local and foreign products; import quotas, particularly in agricultural trade; various domestic subsidies or government pricing policies that affect international competitiveness; and customs valuations and practices. Just how many such nontariff barriers exist, and in what ways they may affect international competitiveness, we know only incompletely.

I understand that Ambassador Roth's office is preparing to undertake a detailed study of the whole complex of nontariff barriers. This is absolutely necessary before the next step—a reciprocal dismantling of such barriers—can be contemplated. There is a persistent feeling that Western Europe's nontariff barriers pose a greater obstacle to trade expansion than our own. But I don't think we really know all the facts, and this specific problem of border taxes would seem to require a thorough rethinking. In my opinion, it would not make much sense to push for further tariff reductions without first making some progress in reducing the more prohibitive nontariff barriers.

A second major issue confronting U.S. trade policy in the years ahead will be the developing countries' demand for preferential tariff treatment on manufactured goods. Britain grants tariff preferences to member nations of the Commonwealth, and the Common Market has concluded special arrangements with the French-speaking African countries. This means, for instance, that many of our Latin American and Asian friends find themselves at a competitive disadvantage when exporting to the large European markets.

There is a real question in my mind whether we have not rejected out of hand an important means of aiding the less-developed coun-

tries. For political, economic, and moral reasons, the United States cannot afford to see a continued widening of the gap between the industrial and the less-developed nations. The 20 or so industrial nations with one-fifth of the free world's population produce and enjoy one-half of the world's wealth. In contrast, the developing nations with half the world's population account for barely one-sixth of the total output. Per capita income in the developing countries ranges from a quarter to a half dollar a day.

To bring about a better balance will require massive economic and technical aid. It is increasingly clear that the job is much too big for the United States alone, and especially that it cannot be done by Government aid alone. Additional support could well come from some form of preferential tariff system, especially since this would involve self-help.

I am familiar, of course, with the chief objections that have been raised against tariff preferences for developing countries. And I confess that I am somewhat sympathetic with these objections. It has been said that a two-tiered tariff system would be costly to administer that its benefits would be slight; that outright financial aid would be more appropriate than a tariff subsidy; and that, in any case, tariff preferences would violate the GATT principles of reciprocity and nondiscrimination.

While these points may have some plausibility, they disregard, I think, a number of persuasive arguments on the other side. The preferential tariff systems of the Common Market and Great Britain show that the added administrative cost must at least be bearable. To what extent the developing countries could expand their exports of manufactures is admittedly an open question, but as Prof. Harry Johnson, of the University of Chicago, has pointed out, tariff preferences might well exercise a powerful influence in expanding export earnings and promoting industrialization. And, while financial aid might be the preferred form of assistance, the current controversy over the foreign aid bill is not a very reassuring sign for increased support from this source. In my view, preferential tariffs are a form of aid, and all additional aid is urgently needed to bridge the ominously widening gap between the industrial and the backward nations.

The most desirable approach, as I see it, would be for our own Government to take up this problem with the Governments of other industrial nations and try to persuade them to join us in granting tariff preferences to all the less-developed countries. Only if all industrial nations treat all developing nations equally can we preserve the substance of the important GATT principle of nondiscrimination.

A third major issue of U.S. trade policy in the coming years, as I see it, will be the course of U.S. trade relations with Canada.

Our neighbors to the north are our most important trading partners just as we are theirs. The volume of Canadian-United States trade amounted to some \$12 billion last year, representing about 60 percent of all Canadian exports and 25 percent of all U.S. foreign sales. It follows that continued expansion of Canadian-United States trade is essential for the continued growth of both countries' foreign trade. To this end, the two may wish to reduce trade barriers between themselves, and could probably find ways to negotiate a mutually advan-

tageous bargain. Nonetheless, any such potentially beneficial agreement would run counter to the most-favored-nation principle as enunciated in GATT, unless such a bilateral dismantling of trade barriers were part and parcel of a formal process to establish a free trade area.

With most countries in Western Europe and Latin America now members of regional trade blocs, I think it is essential that we reconsider the feasibility of working toward regional free trade arrangements of our own. Thus, I would urge this distinguished subcommittee to take a fresh look at Canadian-United States trade relations, with a view to establishing a Canadian-United States free trade area. Such a plan might in time include other countries as well—Great Britain, for one, if Common Market membership should again prove elusive, and Mexico once her industry was able to compete on an equal footing in the North American market.

The most far reaching change in world trade patterns in the post-war period has been the emergence of regional trading blocs—EEC and EFTA in Europe, LAFTA and CACM in Latin America. For both political and economic reasons, we have consistently supported the formation of these regional groups—and these groupings have contributed immeasurably to the economic strength and stability of the free world. At the same time, however, it is important to recognize that the formation of regional blocs of which we are not a part tends to reduce the international competitiveness of U.S. exports, that negotiations become more difficult when trading blocs are involved, and that the principle of most-favored-nation treatment is a suitable vehicle for reducing trade barriers only so long as all countries are willing and able to make reciprocal concessions. Canada and the United States may no longer be able to expand their trade outside North America as rapidly as they have in the past. Under these circumstances, it is my view that we must seriously reexamine whether Canada and the United States should not move toward establishment of a free trade area of their own.

As I see it, the Kennedy Round's success was an encouraging outgrowth of our pursuit of multilateral and reciprocal tariff reductions over three decades. But while tariffs have come down substantially, numerous nontariff barriers remain as serious hindrances to trade expansion. Their reduction and eventual elimination require a somewhat different approach to international trade negotiations, as do the issues of tariff preferences for the developing countries and future patterns of Canadian-United States trade.

I am strongly convinced that we should continue to be a firm supporter of GATT; but while giving it our full backing, we can still accomplish some of the other objectives I have outlined. At this stage in the continuing process of trade liberalization, tariff preferences and regional arrangements may well prove the most effective route to further progress.

Chairman Boggs. Thank you very much, Mr. Rockefeller and Mr. Ball.

I would like to ask Mr. Rockefeller one question.

In your statement you suggest that the governments of industrial nations get together and grant tariff preferences to all less-developed

countries. Secretary Ball in his statement mentioned his efforts to bring about this sort of a solution, and he said he was not too successful. How would you suggest that this be done in the light of present world conditions?

Mr. ROCKEFELLER. I would hope that after the completion of the Kennedy Round negotiations that perhaps there might be a better opportunity to pursue this than previously. For 4 years we were bogged down by negotiations on tariffs. That is behind us. And it seems to me it is worth a good, hard try in this direction again.

Chairman BOGGS. Mr. Ball, would you care to comment on that?

Mr. BALL. I wouldn't start the negotiations, Mr. Chairman, with the European countries, I would start it with the U.S. Congress, because I think that at the end of the road we wouldn't have a prayer of getting the Congress to pass a generalized preferential enactment for the benefit of the less-developed countries.

Let me say that I agree with Mr. Rockefeller in principle. He and I disagree on very few things, and on this particular one I fully agree with him. But as I suggested in my statement, I think it is politically unrealistic. When I was in the Government I was probably more responsible than anyone for what a lot of people regarded as a negative view on the question of generalized preferences for less-developed countries. My feeling was that we would do an enormous disservice to encourage the less-developed countries to believe that this was going to work when, in fact, it wouldn't. In view of the character of the products that the less-developed countries are most capable of producing, which are primarily light manufactures, whenever they now begin to ship any substantial quantities of such products to the United States, Congress and the administration are faced with demands for mandatory quotas or some other kind of arrangement that would restrict the introduction of such goods. There is the aboriginal cry of cheap labor, which is loudly heard.

I think that the possibility of our being able to reverse the process and say that not only will we refrain from imposing mandatory quotas limiting the import of these goods, but we are going to provide preferences to make it easier for the less-developed countries to produce for our markets—I just don't think it is possible. That was always my feeling, and, therefore, I did gain the reputation of being negative on this issue. The European countries talked a good game, but when one got down to hard discussion with them, I had a feeling that they were being disingenuous with the less-developed countries, because they weren't going to grant generalized preferences any more than we were. Our record with the less-developed countries is generally better than the record of European countries, except in those special areas where they have preferential regimes which constitute happy hunting grounds for their own industrialists.

I don't want to be too dogmatic, but I would be enormously surprised if Congress were prepared to provide the authority in the Executive to grant generalized preferences for manufactured goods to the less-developed countries. We have a situation now where the steel industry is complaining because of import competition from countries like Japan, and again the argument is based on the fact that labor costs are so much cheaper. Now, do you seriously think that Congress

would give the administration the authority to grant preferences for the import of steel from less-developed countries? I don't believe it for a minute.

While I agree entirely with what you say, Mr. Rockefeller, I just don't think it is politically feasible.

Chairman BOGGS. Mr. Reuss, do you have any questions?

Representative REUSS. Thank you, Mr. Chairman, for bringing before us these two wise and thoughtful witnesses.

Mr. Ball, you and I over the years have had a genial debate, but nevertheless a debate, about the Common Market. To caricature our positions a bit, I accuse you of being excessively in love with the Six, and you accuse me of being excessively doctrinaire. And I want to pursue the dialog this morning.

You, in effect, say that you are ready to throw in the sponge and go to a closed system, let Europe, with perhaps an expanded Common Market to include the United Kingdom, take over Africa, accept African imports into Europe on a preferential basis, and let African countries receive European exports on a preferentially low basis, and devolve upon Europe the general aid and welfare burden of the developed world. And you then say, let the United States do likewise, generally speaking, for Latin America.

If you want to correct my statement, do so.

Mr. BALL. No, I think that is about right.

Representative REUSS. May I put to you my alternative, so you may comment on it. My alternative is that I don't think we are yet forced to that unpleasant position of dividing the world into zones of influence, having papal lines of demarkation. And I don't think it is a policy very relevant to the world of quick communications and the seamless web in which we now live.

Now, I do not in any way belittle the valiant diplomatic efforts you made 3 or 4 years ago to try to get Europeans out of their parochial closed system view. But I would hate to see our country toss in the sponge and operate a closed system without making it the utmost object of public discussion, without allowing some time for a public great debate on it, and particularly without making an all American, all out stand to revive the principle of nondiscriminatory multilateralism, the principle of GATT, at the very highest public level, I mean summit conferences with heads of State. And if we don't succeed, if we are forced to it, admittedly there would be no alternative. But where you and I think differently is that you say that that point is now—that we should sort of slide into a closed system. I would much prefer us trying to get the Europeans, the French, the Italians, and the Germans, that have great historical ties with Latin America, to come in and help us on that burden, and conversely, to try to get the Europeans progressively to diminish these preferences so that Latin America can come into their markets. There really is a policy choice.

I think I must get some help for my point of view later from David Rockefeller, but please come back to that.

Mr. BALL. I don't quarrel with the way you described it, Mr. Reuss, but I think you are putting it a little more easily than I did.

In general, I am completely in agreement that closed systems make a very bad use of resources—if you were to sectionalize the world and

have special trading areas. Nonpolitically it is the best solution. The basis on which we are now proceeding is different. It has been a matter of our national policy ever since the war to recognize a kind of collective responsibility on the part of the northern rich countries for the southern poor countries on a nondiscriminatory basis. Obviously I regard that as preferable, but I question whether the policy is feasible for the long pull. I don't think we have half thought the problem through, and I would agree with you, I would like to see this a matter of public debate. I would like to see the issues placed in what seem to me the proper terms, for the problem is a structural one. The European countries are too small for any one of them to take a universalist approach toward the world. A country which hasn't got the resources to diffuse around the world has to think of focusing its efforts. Historically the European nations have done that by concentrating their efforts on bits and pieces of real estate within colonial systems. But such systems don't exist any more. And therefore, there is a feeling on the part of the European peoples that since they no longer have territorial interests to give a focus to the areas to which they should provide help, they don't need to provide help. What they have thought of as a substitute for colonial interests—a vestige from the old colonial systems—is the retention of preferential trading arrangements.

Now, I thought such arrangements would ultimately die. I thought that the trading system, the preferential system, of the French Community as well as the British Commonwealth system would be phased out in time. Certainly they have become less significant as the general level of tariffs has been reduced. But what is happening is something quite different—something I did not predict, something I think is quite foolish—but, nevertheless, something that is clearly going on. And that is that the European Community nations are proliferating the special arrangements primarily with African countries. They are creating a whole new preference structure in which the preferences extend not merely from a single European nation to a single African nation, but from the six nations of the European Community to a number of African countries. This is becoming a very much bigger thing than it was. When I was in the State Department I tried not only to get the French and British Governments to phase their systems out, but I made a valiant try to get the European Community to abandon the idea of proliferating these closed systems, because it didn't seem to me that they were useful from anybody's point of view.

But the point I'm making is this, that while we may think that a closed trading system is bad so far as the allocation of resources is concerned, and it violates the most-favored-nation principle, nonetheless it may be about the only way that we are going to persuade the European nations to maintain an adequate flow—or even an inadequate flow—of resources into these countries through foreign aid programs; because what they have done in their own minds is to substitute preferential systems as a focus for their aid efforts, whereas historically the focus was provided by colonial systems. Because of their own inadequate geographical size and their control of an inadequate supply of resources, I don't think they can be persuaded simply to participate in a worldwide effort to help the less-developed countries. Thus if the preferential systems, the closed systems are eliminated, we may find

that the European countries will provide no aid at all. And then we will have the problems that Mr. Rockefeller described in cards and spades.

Representative REUSS. Mr. Ball, where you and I differ is in the field of politics and human relations. While it is true that the technicians of the European governments are obsessed with this closed system—I have heard that—I think that if you got through the technicians to the people of Western Europe, particularly the young people, you and modern European politicians would find that there is a great reservoir of idealistic feeling, call it what you will, which sees something bigger than these old parochial closed systems which have caused so much trouble in the past.

All I am saying is that before we give up on it, let us make it the great international issue of the next 5 years, and let us see if we can't maybe get some of those stupid old politicians voted out of office by their own people over there so we get rid of this closed system.

Mr. BALL. I just want to make two points in that connection. First, there is a kind of mystique that one finds in part of Europe, particularly in France, with regard to a concept called Eurafrica. The closed systems are an expression of this, a feeling that Africa has a kind of national affinity to Europe, because of its geographical position, and because of history, and so on, and that the Europeans should feel the same kind of responsibility for Africa that we feel for Latin America. They express that in trading terms, because those are the terms with which they are familiar.

Now, as far as making a try, I am all for it. Let me emphasize that I don't like closed systems. I am simply saying that I see them developing, and I am not sure that we can do anything about it. I am all for trying to do something about it—to make quite a big effort. But I think that we ought to be quite clear in our own minds that if we do make such a big effort, and if we should reach a point where these trading systems, these preferential systems, are dismantled, we may find that we have greatly diminished the European effort of foreign assistance.

Representative REUSS. My time has expired, Mr. Chairman. I hope you may return to me.

Chairman Boggs. Mr. Curtis?

Representative CURTIS. I wanted to have Mr. Rumsfeld go first, but I just couldn't let this go by.

I am not entirely sure that the benefits of these closed-in deals with the African countries and the Western European countries aren't going the other way. Maybe it is still the old milking process of colonialism with a new title. You say that this might cut down on this assistance to these African nations. I wonder if this remark presents the case correctly, because I know there are students of this who say that the benefits are still going from the less-developed African countries to the developed European countries.

Mr. BALL. I think they are going both ways, Mr. Curtis. The French experience is one that I think is the most conspicuous. The French are putting very substantial amounts of resources into the African countries. They are helping them to develop. At the same time you are

entirely right, these countries remain happy hunting grounds for French producers, French industrialists. And to that extent the countries do contribute to the French economy as well. I don't argue with that. But I would guess that the benefits, when you add in the amount of foreign assistance that goes in which might not go in if the closed systems didn't exist, I would think that it would be a net benefit of some value to these countries.

Representative CURTIS. I think this is something which should be evaluated the same way we judge the relationship of the satellite countries behind the Iron Curtain with Russia. Is that really a reciprocal economic deal, or do the benefits flow one way?

Mr. Chairman, first let me apologize to you for not having been able to attend these hearings, which I think are so important. But you know where I have been. I have been in the Ways and Means Committee, on which you and I serve, which is engaged in the final weeks of some months study of the social security system. To me it is an interesting thing to realize that when we are talking about welfare we are talking about a way to put people back on their economic feet. And here when we say "trade, not aid," I think we are talking about foreign aid as being a technique to help nations get on their economic feet. The similarities are economic ones, and I think they are very striking.

And then let me express my appreciation for the two witnesses for taking time out to come down here and give us the benefit of their wisdom and judgment, which is, of course, considerable in this area.

Mr. Chairman, I don't know whether it has been done before, but I would like to call attention to a study of trade restraints which appeared in the Ways and Means Committee's hearings on the Trade Expansion Act of 1962. Here was an attempt to look into the nontariff trade barriers. And I know that this kind of material is going to be valuable in this current study. (See p. 303, appendix.)

Another thing—and this I would like to suggest be made a part of the record—is "Non-Tariff Trade Barriers of the United States," a study conducted by Noel Emminger, United States-Japan Trade Council. It talks about U.S. nontariff trade barriers, and I think we need a similar study in depth of these other nontariff trade barriers.

Chairman BOGGS. Without objection, it will be made a part of the record.

(The material referred to appears in the appendix, p. 345.)

Representative CURTIS. Mr. Ball, the thing that has been basically worrying me—and this is in the light of your recounting the history of the Reciprocal Trade Acts, which really have all been amendments to the Smoot-Hawley Tariff Act of 1930—is the idea that we are now out of trading material, now that we have got the tariff rates down. But I have been deeply concerned with whether we haven't in many, many instances been replacing the tariff technique for regulating trade with something that I would regard as much more regressive. I refer to the license and quota approach. And I think the Long-term Cotton Textile Agreement would give grounds for this concern.

Of course, we have had the sugar license and quota setup for some time. And we now have an international coffee agreement. We are talking about an international cocoa agreement. And they are talking about extending the cotton textile agreement to include wool and man-

made fiber. We have got the oil import quota arrangement. Do you see a danger of moving forward to what we call mercantilism at the same time we have been taking down the tariff barriers, so that we will end up with not having keyed up trade, but having restricted it by the use of the other techniques?

Mr. BALL. You touch on a very sore point, Mr. Curtis, because I invented and negotiated the cotton textile agreement, and it has always been on my conscience. I think it was a bad thing. But I did it only because if I hadn't I was very much afraid that Congress was going to impose mandatory quotas, which would have been even worse.

But I wholly agree with you, I think that there is a tendency to try to substitute for the tariff quota restriction or other impediments, based very often on a rather specious issue of national defense. And I think these are very bad, for the most part.

Representative CURTIS. I should have mentioned the other one, too, the United States-Canadian Auto Treaty. Yet, if at the time it was made, it was said that this was the beginning of a real Common Market with Canada, I could see some logic. But if it was just the beginning of dealing with commodity or industry arrangements on a bilateral basis it would appear to be a very dangerous precedent.

Now, there has been some conversation to the effect that this is a beginning of a real common market with Canada. Would you comment on that?

Mr. BALL. Of course, it also was devised to counter a greater evil, which was the threat by the Canadian Government under the leadership of a rather nationalistic Finance Minister at that time—he is a friend of mine, incidentally—to put a requirement of local origin on a great part of the production of automobiles in Canada. And if this had been done, it would have stultified and interfered with trade to a far greater degree than the solution we finally arrived at. I thought the solution was pretty good, given the atmosphere and the circumstances in which it had to be developed.

On the question of a Canadian-American free trade area, or customs union, as the case may be—depending on whether we arrive at a common exterior tariff, or don't—I would agree with what Mr. Rockefeller said, but with a very big question mark, for I don't think the objection to it comes from the United States side nearly as much as it does from the Canadians. The Canadians live in a country which has one-tenth the population of the United States with one-fourteenth the gross national product, and they live in mortal terror all the time of losing their national identity from living next to this giant. Yet I would doubt very much if there can be complete free trade back and forth without a considerable erosion of national identity, and I think this is what most Canadians think. Personally, I feel they are fighting a rear-guard action, a losing battle, because I don't think over the years they will be content to have a 25-percent lower standard of living than the United States just in order to preserve their national integrity.

But these are fighting words in Canada.

Representative CURTIS. Of course, being in Congress, I am in the place where great pressures are applied. And I think the thing that bothers me—you can argue that this is true of almost any area,

whether it is the auto industry, or whether it is the sugar people, or whether it is oil, or textiles, or whatever, it is whoever puts on the most political muscle that wins. And this is what has bothered me. You can take each one of these items. We could discuss the all-important quota. And you could say the agreement was the lesser of the two evils.

I hope we are trying to develop some rational system rather than a system that is based on who can generate the most political pressure.

The thing that disturbs me as I read history on this subject is the reaction that the people have had to the Smoot-Hawley tariff. The determination of the tariffs got to be wide open—who could put on the most political pressure. And I think we are moving very rapidly to this kind of situation now. And that is why I make these remarks. Are we really moving to what I would hope would be a liberalized or more reciprocal setup in international trade?

I do not look for free trade in any sense, but fair trade, because I happen to think this is an imperfect world, and there are many economic differentials that perhaps need measuring, or legitimately can be measured. You could possibly allow for differentials through the tariff technique—which is the most liberal of all the techniques, I would argue. Or you can go to this license quota system, or these many, many varieties of Government subsidies which we haven't really discussed.

The United States is in that subsidy business. That was the problem we got into in the two-price cotton. This is the problem that faces our petrochemical industry here today. Because of the oil import quotas and so forth, the price that they have to pay for their raw material is greater than their competitors in the international marketplace have to pay. Again we see that one subsidy begets another subsidy, as we found in the long history of cotton.

So, I am not posing this question idly. Are we really liberalizing world trade? In fact, your response worries me even more. To each one of these items that I have seen come before the Ways and Means Committee, and before the Congress, the answer has been what you say, "Well, this is the lesser of two evils." In other words, the first evil is the pressure—I assume I am right in saying so—the political pressure being put on by an organized industry.

So, the common and easy way seems to go to something second best. What I would think would be the preferable thing is to face up to these problems. Let's have a public dialog. Let's have a national discussion. What is the best arrangement? As I asked the automakers, Is your interest best served by going along in this line of bilateral commodity agreements? Because, if it is done in autos, it can be logically extended to any industry, the logic to do it in any commodity is there. We can go back to bilateral negotiations and away from multilateral, and we can forget about most-favored-nation clause principles. Maybe that is what we are headed for. I think we have got to face these issues.

Would you care to comment further?

Mr. BALL. I don't disagree with you at all, Mr. Curtis. In fact, I think you have stated very well a serious problem that we do face, which is the tendency of particular industries, when they are confronted with some imports—and they don't even have to be very large in a number of cases—to try to mount pressure for some kind

of special treatment, such as a mandatory quota or some device which would have the substantial effect of limiting the volume of imports. And if it is in an industry such as the cotton textile industry, where there is a cotton mill in almost every political district, it is likely to be pretty important pressure.

Representative CURTIS. My time is up. But we have got to face the problem.

And I am thinking of our great steel industry. They came to the Congress early this year talking in these terms. And let me try to make it clear, I am deeply sympathetic and I have a great admiration for our domestic industry, our textile people, and our steel people. And all I have been asking them is, What are the facts? Let's find out what really are your problems? If they are what I think they are—and I might be wrong—your solution does not lie along these lines. And that is what I tried to say to the cotton textile people, this isn't your solution. They might not be wrong, they know their industry. But let's get the dialog going in public, and let them advance their arguments. But I find that when they get sympathy from other people in politics in response to bring these pressures, it puts people like myself in a very unenviable political position.

I hope I am not so naive that I don't recognize that. Coming from St. Louis, Mo., I represent some of the industries most involved in this problem of imports and international trade.

Thank you.

Chairman BOGGS. Thank you, Mr. Curtis.

Mr. RUMSFELD?

Representative RUMSFELD. Mr. Rockefeller, in your statement you suggest that the full impact of the recent discussions is not known, and you indicate there will be export opportunities as well as somewhat stiffer import competition. Could you, from your background on this subject, possibly touch on some of the problem areas you see? In view of the discussion Mr. Ball had with Mr. Reuss and Mr. Curtis, I think that the dialog and the discussion of some specifics in this area might be useful.

Mr. ROCKEFELLER. I think perhaps the biggest problem area is the one we have been touching on of nontariff barriers, because those are the areas which have been least dealt with in the Kennedy Round. As I also suggested in my paper, I think it is an area that needs to be worked on most in the period ahead. Most of the discussion since that time has been along these lines. And I think we can agree completely with its importance, but we must also recognize the difficulties of the problems.

Representative RUMSFELD. You also indicated that you were very much in favor of providing the Government with some type of negotiating authority to carry out minor adjustments. I assume you have some specific portion of the Government that you are referring to beyond simply a branch of the Government.

Mr. ROCKEFELLER. I would think that the power would have to be entrusted to the President, and that he in turn would designate the appropriate agency to act on his behalf.

Representative RUMSFELD. Are you satisfied with the structure of the Government and the ability of the structure as it presently exists

in this area of trade to deal with these problems? There have been proposals to try to bring together various aspects of this problem within the executive branch, and the different categories or compartments, feeling that there were some problems that existed. And there has also been some suggestion with respect to the relationship between the executive and the legislative branches in these areas. And some problems have been highlighted by Mr. Ball. Have you made any recommendations in this area?

Mr. ROCKEFELLER. I have not. And I haven't had sufficient personal experience to be able to pinpoint the areas where there are difficulties, and where improvements could be made. I am sure they exist. And I am sure that the closer that the administration and the Congress can work in this area, the better. This has certainly been a problem in the past, that there has not been full agreement between the administration and Congress. I am in favor of anything that would encourage that, but I have no specific proposals.

Representative RUMSFELD. Before I turn to Mr. Ball, possibly you could comment on the question that has been touched on here by Mr. Rouss and Mr. Curtis. I think it is fair to say that Mr. Reuss has suggested a certain timidity, and cautioned against throwing in the sponge. And Mr. Ball agreed that we should try to have a dialog in this area.

Mr. Curtis has pointed out some of the problems with respect to specifics in relationship to the executive. And Mr. Ball in response to a question talked about negotiating first with the Congress rather than other countries. Now, the Congress does change, at least in part, every 2 years. And the system is constructed so that theoretically it is capable of being responsive to the people. I would suggest that at some point it is well to move beyond suggestions that Congress has simply not seen the problem properly, and possibly turn it inward to the executive, who claim special knowledge in this area, and ask some questions as to what we could attribute the monumental lack of persuasiveness and inability to adequately discuss and conduct the dialog on the subjects, so that the people of this country—and therefore the Congress, assuming Mr. Ball is right—might be in a better position to deal with some of these problems.

Do you have any thoughts on this absence of a constructive dialog that brings ideas point to point? Is it too complicated an idea? Is the executive, as Mr. Curtis suggests, tending to be too timid, and taking lesser evils rather than trying to sell broad concepts that may be understood and that make sense and are legitimate and justifiable?

You are in a unique position, I think. You are not in the executive or legislative branch. And possibly you could be helpful to both.

Mr. ROCKEFELLER. It may take more time than I possibly should take, in the best interests of the institution I work for, to make speeches on subjects of this kind, having in mind just the sort of thing you are speaking of. I do agree that citizens as well as Members of Congress must speak out and express themselves and try to explain the problems of public policy on matters of this kind. I say, I am striving to do so.

I suppose one of the principal difficulties in arriving at a more satisfactory dialog is the fact that a person, or rather special interest, often loom larger in the minds of individuals who came to speak to

Members of Congress than broader matters of policy. If there is a pinching, even if it is only a small one, that is felt more acutely than a broad, philosophical concept or objective, then it seems to me that some of the regrettable legislative acts that are taking place have been the product of that kind of special interest.

Representative RUMSFELD. I have not been in Congress as long as Mr. Curtis. But it is my, at least tentative, conclusion that the pinch within the Congress is generally felt in the very restricted number of areas of the country, not across the border. And it is true, it is acute where it hits. But I have at least the feeling that if the dialog were conducted better, and if arguments that could at least point to the contrary were developed, that our system is capable of dealing with these problems.

Mr. ROCKEFELLER. I agree with you. And I don't think that most of us who speak out on these questions in hopefully objective ways do enough of it.

Representative RUMSFELD. I was most impressed with both of these statements.

Mr. Ball, as an ex-resident of the 13th District I am delighted to see you here. And I was very interested in your statement. Would you like to comment on this question that I have raised?

Mr. BALL. I think it has very broad ramifications, the question as to how one can best discuss what are basically conceptual problems with the public and keep them interested, and at the same time offset the very specific interests that might be affected by the adoption of a particular measure. We have this question of preference treatment for the less-developed countries, for example.

Now, I think that generalized preferences, most of us would agree, are a good idea in principle, because they are a way to enable the developing countries to establish markets in the industrialized countries, and get a little headstart. It may be that one should grant these preferences only for a limited period of time to give the new nations a chance to get a beachhead in the industrial revolution. But I can see enormous practical difficulties, because I think—

Representative RUMSFELD. You have lived with them.

Mr. BALL. I have lived with them. The kind of industry which is best suited to the abilities of a less-developed country is a labor-intensive industry, and in such an industry there are, by definition, more individuals interested in it—the working force in every country—than in a capital-intensive industry. Thus a labor-intensive industry has an unusual ability to mobilize pressure. So far the dialog has always been the other way, just as Mr. Curtis has suggested. The question has been whether we should impose impediments to the imports of those articles. Can we now turn it around and say not only that we are not going to impose impediments, but we are going to grant preferences? I find it hard to believe this is possible, no matter how seriously one makes the point in public discussion. And yet it is a very important thing, because unless we can assist these nations to get a beachhead in industrial production, and find a place in world markets, then the problem of being able to meet their requirements through external grants out of the public sector every year becomes a continuing one, and a more and more irksome and difficult one.

I don't know the answer from the point of view of political feasibility. I am just extremely doubtful that one can do it.

Representative RUMSFELD. My time is up.

The chairman, Mr. Boggs, has pointed out that the Joint Economic Committee is a bit removed from the daily legislative struggles and can, I think, assist in the dialog, in trying to take a longer range view of the problems.

I would just simply again, thank you both, and possibly it is naive, but I have, I think, at least at this point, a great deal more confidence, and would hope that the executive branch would not (a) throw its hands up; or (b) decide that it must compromise on something that is less distasteful, rather than trying to analyze its past and present and future with respect to the computation of the dialog.

Chairman Boggs. Thank you very much.

Senator Percy?

Senator PERCY. Mr. Chairman, I do not want to take the time of the subcommittee for questions, because you have been with this a long time, and I am not a member of this subcommittee of the Joint Economic Committee.

But I did come down from hearings on housing in the Banking and Currency Committee because the two witnesses that you have today are in my judgment two of the most forward-thinking, progressive men that I have known in public life as well as in business. They recognize and epitomize to me the true partners in progress that we have in this country, where someone comes from the law into public life and returns to the law. They give to our Government and our whole system a spirit of forward-looking, progressive thinking that imaginatively and boldly paints what the future of this country and the world should be. And certainly David Rockefeller's contribution to the field of banking, as he has worked with Government through the years, is remarkable for its foresight and perceptiveness. I can go back and find value in any of the things he said 8 years ago about the future trend of our relationship with other nations as seen through the eyes of the bankers. It is not because his nephew is now my son-in-law that I say this. I have long held this opinion. This is the first time that I have had an opportunity, while in the Senate, to comment on tariff and trade. I would just remind our chairman and Congressman Curtis that I have appeared as a witness before the Ways and Means Committee and the Senate Banking Committee and the Finance Committee through the years on every trade bill and that was ever presented to Congress as long as I have been in business. And some of those were excruciatingly painful experiences, Mr. Chairman.

Chairman Boggs. I would like to say that the Senator has appeared before various subcommittees that I have chaired many times, and he has always been tremendously helpful.

Senator PERCY. You will recall that I testified against my industry, because I felt that the facts they were presenting were wrong. I had more faith in our industry than those who came down to plead their special case. I had more faith than the makers of the yellow box in Rochester that I have been fighting so many years in a friendly way, and all the other friendly competitors that we have, that we could survive. I was told by the people in the industry that this company of ours

out in Chicago would die if Congress allowed the Germans and the Japanese to pour their products in, produced by cheap foreign labor, and allowed to compete against our products. And I was proud, as a result of that testimony, that our industry's tariffs were reduced 40 percent at one fell swoop on one day. I am proud that the Kennedy Round that I fought for has successfully reduced them another 50 percent, because I know that industry is going to survive. When I began testifying they said we would dry up and blow away if we had to compete on a fair and equal basis with foreign competition. At that time, our employees numbered 1,300. Our sales were \$13 million. I am happy to say that that same little midwestern company now has sales of \$250 million, and has 13,000 employees. And we are, I think, getting out of that category of small business, not because we came to our country and said, we are so weak and inexperienced, and we have such little faith in this system that we need the protective help of subsidies from the Government.

So, with good conscience I can say to my friends in steel and in the meatpacking business and all these other companies that have competition from abroad that through the years I have been for the consumer. That is what this economy is all about. And as we go into this new phase, as Mr. Rockefeller emphasizes, there are things other than tariffs that involve the free movement of goods and services. I know we are going to be aggressive and imaginative in the Congress, and I hope in the business and legal profession and banking community, to adjust this great country to the whole new period of change that we are going to face ahead.

I don't think any company should come here and say what is best for our country. That is what the Congress should do. I think a company can stand up and say we are going to adjust to whatever is best for our country.

And that is the spirit of these two men who have through the years, I think, been a tremendous inspiration to me, both of them, and I know to others throughout the country.

And I commend your witnesses this morning. And I want to say that Senator Ribicoff started this testimony upstairs with a quotation from David Rockefeller, and we talked about that quotation for an hour and a half. And that is the reason I couldn't get down sooner to hear the testimony.

Thank you, Mr. Chairman.

Chairman Boggs. Thank you, Senator Percy.

Congressman Bolling?

Representative BOLLING. I would like to pursue the differences of degree and of timing between the two witnesses as to the solution for the treatment for the developing areas' problems. And it seems to me that the best way to do this at this time is to ask Mr. Rockefeller why he feels, as he says, that the most desirable approach—this is on page 7—would be for our own Government to take up its problems, the problems of the developing areas, with the governments of other industrial nations and try to persuade them to join us in granting tariff preferences to all the underdeveloped countries. I am well aware that you two gentlemen, in your different capacities, have worked together for many years on this subject. So, I am interested in the apparent

differences, at least in degree, as to your hope of success. And I think this is the difference in the approach recommended by Mr. Rockefeller.

And, Mr. Rockefeller, I would like you to speak to that, why you are hopeful that we might achieve what we have not been able to achieve so far.

Mr. ROCKEFELLER. Mr. Bolling, perhaps if I had had the years of disappointing negotiations that Mr. Ball has had that I would be less optimistic than I am. I have not had those years of negotiation. And I am basically an optimist by nature. So that I still am convinced that the right solution ought to be a possible solution. I am strongly convinced that, as I said in my testimony, it is important to continue and preserve a multilateral nondiscriminatory approach. And I am very much afraid that if we join the Europeans in a different approach, which, in effect, would abandon the most important principles of GATT, that we would lose more than we would gain. And therefore, with Mr. Reuss, I am not yet prepared to do it. I think that we have just won a resounding and encouraging victory in the results of the Kennedy Round negotiations. That would lead me to feel that there is still hope that we can win another round in relation to the nontariff barriers.

Representative BOLLING. Mr. Ball, do you care to comment?

Mr. BALL. I regard myself as an optimist, also, Mr. Bolling. In fact, some of my friends have accused me of being rather pathologically an optimist.

But I do have doubts as to the ability as to any—and I don't confine this to the United States—the ability of any of the major economically advanced countries to adopt and administer a system of generalized preferences for less-developed countries. I don't think our problem is with Europe in the first instance. I think our problem is at home. I think it is a question of our own inability to do this. Even if this became a matter of public debate, I am not sure where the public would come out. I think there would be serious doubt in the public mind as to whether we should give a preference in our markets for what they regard as the cheap-labor countries in industrial production. And I am just not sure, even if we were to carry this to the country in a big public debate, who would win. Because I think on the other side you would find all, or 90 percent, of the companies, particularly in labor-intensive production, shouting from the housetops about the fact that this was going to be ruinous to American business. And I think you would find a substantial part of the American labor movement, particularly in labor-intensive industries, supporting the same view. And I think it would be very difficult.

I would hope Mr. Rockefeller is right, but I am doubtful.

Representative BOLLING. Mr. Rockefeller?

Mr. ROCKEFELLER. It seems to me the real issue is how serious for our country this widening gap between the poor and the rich nation is. In my judgment, it is very serious. I think this is one of the two or three most important problems that we face in the world which is of comparable importance to our domestic problem in the urban area. If this is so, then it is perfectly apparent, it seems to me, that we in the United States have to play a leading role in trying to reverse that trend.

One way that it can be done is through economic assistance. And as

I indicated in my testimony, unfortunately, I think ill-advisedly, the Congress and the country is becoming less enamored with economic assistance just to the point when in my judgment it is being administered more effectively and more intelligently than it ever has been. If we are to increase rather than cut down on foreign assistance, the need for some kind of tariff preferences might be diminished. I do think, as I said also in testimony, that tariff preferences are in fact a kind of economic aid. But given the reluctance on the part of the country and Congress to support adequate programs, it seems to me we must turn to the other if we recognize the reality and urgency of this problem.

Mr. BALL. If I may add just one word, Mr. Bolling, about the difficulty, the relative difficulty, of getting an appropriation for economic aid as against the difficulty of some kind of an arrangement to give up part of our market to the production of the developing countries. I think experience has shown that Congress would be much more inclined, and the public would be much more inclined to support money for economic assistance, because the burden falls generally on the taxpayer, than it would be to support legislation that would provide preferences in American markets because the burden there would fall on specific identifiable groups of people who are articulate and can make their concern felt in some form of political action.

Representative BOLLING. If that is correct, and I expect it is, we are in serious trouble, because Congress shows no particular willingness to maintain what the Administration—and I guess many others—feel is an adequate level of economic aid. At the same time—and I don't remember this coincidence of events ever taking place, at least in my experience, since World War II—there seems to be a growing reluctance to go along with freer, to use the general term, trade. And I would suggest that it may be—and this is a rather different set of circumstances than we were in not too many years ago during the administration of President Eisenhower, as I remember it, when by one vote only we preserved the extension of the Reciprocal Trade Act on a procedural matter.

This sufficiently galvanized a substantial number of people, not in the executive, but also in the executive and in Congress, so that a major educational effort was undertaken by private groups. And while I wouldn't for the moment deny the fundamental responsibility of the executive and the Congress, I would suggest that if my reading of the situation is correct, that the kind of effort that was needed in the middle fifties to revive public support for reciprocal trade, as it was then called, is needed in both areas unless the policy of the United States is to result ultimately in a disaster to the United States in both fields.

Thank you, Mr. Chairman.

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

I might say that in connection with the statement just made that in 1961 and 1962 we did have very much of an educational program both in and out of Government to secure the enactment of the 1962 act, which a lot of people thought was not possible prior to that time. The difficulty of the problem can be illustrated in many ways.

I was interested in the remarks of Congressman Curtis. And there comes to my mind an incident where the president of one of the large

international oil companies came before one of the committees I headed in this field and protested the imposition of quotas, whether voluntary or compulsory. The next day the president of one of his wholly owned subsidiaries, which was engaged in domestic production, came in and complained very bitterly about the proposal not being sufficient. And I took the liberty of asking the question, had he consulted with the president of his company before he made his statement. And he was a bit chagrined to realize that his policy was quite different from that of his own company.

This certainly, to my mind, points up the type of interest, and it does cut across all kinds of lines in this area.

Of course, it induces me to ask one question. And that is, with the impact of the developing supranational corporations being set up now, and having been very much so in the last decade, how do you see this as overcoming these barriers other than tariff barriers which have been created by the developing nations?

Mr. ROCKEFELLER. I would hope that this development of the multinational corporations would be beneficial to a more liberal approach to trade, and in restrictions to trade.

Chairman BOGGS. In a way, don't they get around the restrictions?

Mr. ROCKEFELLER. In part by investing in other countries they reduce the need for exports. But I think that is an oversimplification. There are many cases—take the case of Caterpillar Tractor Co., which has huge investments in many parts of the world. It is the second largest exporter. And the experience that they have had has been that their exports have grown with foreign investment rather than shrunk, because they have continued to supply parts and various items that could not be produced completely abroad.

So, my feeling is that the multinational corporations will help in a more understanding and, in my judgment, a better attitude on trade, and that it also has another beneficial effect to the extent that these corporations would become international in character, and are less clearly identified with the United States, and U.S. personnel—many of them now have policies of establishing headquarters in different parts of the world, and they are employing an increasing proportion of foreign, not only employees, but executives—and I think that as this internationalization of the corporations takes place, it may tend to lessen the resentment and resistance on the part of foreign countries to American investment, and what they consider to be, I think inaccurately, American domination.

Chairman BOGGS. Mr. Ball, would you comment on that?

Mr. BALL. I agree entirely with Mr. Rockefeller. And I think, as I suggested in my statement, that there is one further consideration here. The ability of the multinational corporation to fulfill its real objective, which is the use of resources wherever they are found in the most efficient manner for markets wherever they are developed—this implies a gradual washing out of the restrictions that are based on national lines. These multinational corporations are simply too big to operate within national restrictions. And when such instructions are imposed, they interfere very seriously with the fulfillment of the purpose of these corporations. And I think that the realization of this point may over time, tend to erode away these impediments based on national boundaries.

Chairman BOGGS. Thank you very much.

Mr. REUSS?

Representative REUSS. Thank you, Mr. Chairman.

Mr. Ball, in connection with this parceling out under the proposed closed system, you suggested that it may well be that Europe gets Africa and the United States gets Latin America. Who gets India?

Mr. BALL. That is a very fair question, and I have been waiting for it. Of course, what your question does is to point to some extent to the vice of a closed system, in that there are always some people who are left out of any closed system. Then the question is, do you have more closed systems, or do they simply suffer from being outside?

This is why in 1963, I think it was, when there was a first meeting of the UNCTAD, the Indian Government, which enjoyed the preferences of the Commonwealth system, opted to support a principle of generalized preferences, because they were rather afraid that at the end of the road they might be left out.

But I would think that if one looks at the experience of the last few years that Africa is a place where a considerable amount of resources have been going from Europe, and there has been a very high volume of trade.

India is a situation where most of the support, I would say 90 percent, I don't know what the figures are, exactly, has been provided by the United States, or the Soviet Union, and a very little has come from Western Europe. I would suspect that that would be the system that would continue.

Actually, what we are talking about isn't as serious as it sounds, because the kind of production that you talk about when you think of Africa is the productions of tropical products primarily. They do compete with Latin America. They don't compete very much with India or almost any other area of the world. This is a rather special situation. I would suppose that, to the extent that aid is provided, we would continue to provide it. Whether or not there would be any virtue in trying to have a closed system with regard to India—I would doubt it. It is in a closed system now, it is in the Commonwealth system, and it does enjoy the benefit of Commonwealth preferences. They aren't terribly significant except on certain items. But they are significant in this, that the British, for example, have been prepared to accept cotton textiles from the Commonwealth, even though classically they are a low-cost labor item—they have been prepared to accept them and rationalize their own cotton industry, to the point where, though Britain was once on balance an exporter of cotton textiles, it now gets, I have forgotten the figures, something like 50 percent of its requirements from abroad, and primarily from the British Commonwealth. So, India is already in a closed system.

Representative REUSS. Mr. Rockefeller, you are quite right, I think, in saying that the great trade task is the reduction of nontariff barriers. On the tariff barriers themselves, you say in your paper that not too much additional tariff cutting is in your judgment going to be possible or even desirable. You then go on to make several points, one, that they should try to cut down their preferences now granted by Europe to Africa and if you are going to cut down those preferences, the real way to do it is by tariff negotiations, that is, you aren't likely to get

the Europeans to give up their preferences to Africa, the way to salvation is to have them diminish their tariff barriers toward others, notably Latin America, is it not?

Mr. ROCKEFELLER. Yes. Perhaps I didn't express myself as clearly as I should have. I was thinking of general tariff reduction along the lines of the last six GATT negotiations. I do feel, and so stated, that there is a need for special preferences on a generalized basis from the industrialized nation to the developing nation as a means of helping them improve their luck.

Representative REUSS. In addition, then, to that kind of tariff cutting which you and I agree remains on the agenda, you then turn to the United States-Canadian relationship and suggest a free trade area, and you indicate the possibility of enlargement, mentioning specifically Mexico. Would you be willing to consider enlarging that concept a little bit so that if—well, maybe more than a little bit—so that it related not only to Canada and Mexico, but possibly to those members of EFTA which, for one reason or another, are not able to make the grade into the Common Market?

Mr. ROCKEFELLER. This doesn't shock me too much, though. I think it is conceivable that England would find it more acceptable to come in on that basis. And if they did, I would see no objection from our point of view to having them come in on that basis.

Representative REUSS. Doesn't this then suggest that there may well be a considerable role for tariff reduction in the years ahead as well as the reduction of nontariff barriers, the need to do something about the incipient discriminations with regard to the developing nations, and the need to see what can be done with the free trade barrier concept? In your paper as a whole you say that you don't mean to exclude tariff reducing negotiations, though perhaps of a new kind, from things that we have been discussing.

Mr. ROCKEFELLER. A new approach is what we have really been saying. I think it would either be on the basis of a regional elimination altogether, the formation of a regional free trade area of which we would be a part, or, as I mentioned before, aid to developing nations. And what I was really speaking of was a new round of GATT negotiations on a worldwide basis.

Representative REUSS. But even then, when you get all these exceptions into it, don't you think that a possible approach might be a new round of GATT negotiations, profiting by the lesson the Kennedy Round, which would try, one, to multilateralize matters by reducing those preferences, or by reducing tariffs generally; and secondly, making another attempt, whatever the chances of success, of getting the Common Market to give up some of its restrictive protectionism, and thirdly, to move, if not into free trade, at least into something which would make trade a little more free; if the Common Market wants to exclude itself from that multilateral basis, so be it, although I would by no means conclude that until we have tried it. Would you be prepared to accept a formulation along these lines?

Mr. ROCKEFELLER. If there is to be another GATT negotiation, I would have thought that it would be more productive if it devoted itself primarily, if not exclusively, to the nontariff barriers.

Representative REUSS. But where GATT is all we have got, where

else do we hold these nearly global negotiations between the developed countries in Europe, this country, and Canada?

Mr. ROCKEFELLER. This country and Canada, I should think, would have to be negotiated between Canada and ourselves. And that should probably take place before we included other countries. It is conceivable to me that if Britain is finally and definitively excused from the European Common Market, that then conceivably she might be included in the three-way negotiation that we might undertake. This would seem to me to make some sense. I do not think that can be handled through GATT. Possibly discussions of generalized aid to developing nations could. And I would certainly favor GATT as the vehicle, if that proves to be the right thing.

My recollection is that this has been discussed in the past or through OECD, has it not, rather than GATT?

Mr. BALL. OECD and UNCTAD.

Mr. ROCKEFELLER. Yes.

But certainly, I would welcome another GATT round on the nontariff barriers. And I think it might be more profitable to concentrate on that rather than trying to include more tariff reductions on the general basis. That was really my main point.

Representative REUSS. Thank you. You have clarified it.

Chairman BOGGS. Mr. Curtis, we have time for one more question.

Representative CURTIS. First, I wanted to just make this clear.

I was glad to see opening up this very important area of investment which you have so vitally linked with trade. And I worry very much, by the way, about Government investment. I have pointed out that according to Gresham's Law, Government money has a tendency to draw out profit. It doesn't have to, but it tends to. But rather than go into that area, because of time, I would just like to revert very briefly to what Mr. Reuss has been pointing out. I think essentially our tariffs are now down to a level where they don't amount to significant barriers to trade. But these other items do. And if people will reread what the GATT agreements are on the rules of the road on fair trade, they will find that most of these—or what we refer to nontariff barriers—are in the span of the GATT rules of the road, and most of the nontariff barriers, except some nonconforming uses, have been in all of our countries' laws for many, many years.

But moving in on one area, like antidumping, but getting a common countervailing duty approach, healthfully getting something done on buy domestic laws—buy America, buy French, and so on—moving into this international area of international patents, or some concept of international antitrust laws, and so forth.

But at any rate, I simply want to express my appreciation for Mr. Rockefeller's emphasis on the nontariff barrier area. That is more or less by itself a subject matter to be implemented through further GATT negotiations.

And in this process I think we bring in the problem of the less-developed countries. It is wrapped up more in the nontariff barriers than it is in the tariff.

Representative BOGGS. Thank you very much, Mr. Curtis.

In concluding these hearings on the future of U.S. trade policy, I wish to offer the subcommittee's thanks to our two distinguished

witnesses of today. They have brought to a close the subcommittee's preliminary survey of our trade policy problems.

As everybody realizes, we are only at the beginning of this study. But already it seems clear that our choices of future action are going to be difficult and more complex than in the past; for example, as Mr. Ball has pointed out today, the open system, to which our trade policy has been committed for a long time, is being subjected to increasing strains.

Also, the negotiating process is likely to undergo great changes. Nontariff barriers are of many kinds. Some of them are regarded as matters of purely domestic concern within the national unit, and therefore they are regarded by many people as not being negotiable. But even if the pace of change will probably be slow, national policies will accommodate to change. We must be sure that our bargaining is flexible and that the idea of reciprocity, which is the essence of bargaining, is not interpreted too narrowly. Trade policy touches many other policy issues, political as well as economic; it should not be dealt with as though it were entirely in a separate compartment. So, we must be careful in choosing what to negotiate and how to do it.

But if the future course of our trade policies is less clear today than it has been for many years, the opportunity for initiative is all the better. I believe this subcommittee is one appropriate forum for the study.

First, the legislative arm of government must make its full contribution, in ideas and in open debate, to the formation of such important decisions. Second, the Joint Economic Committee, removed a little way from the legislative struggles of each day, can manage to take a longer range of view in looking toward the future.

Finally, this very subcommittee played an important role in the examination of trade policy that led to the passage of the Trade Expansion Act of 1962. Therefore, what we have been doing is necessary, and I believe it is timely. And what we propose to do will take time, too. We are not going to rush to conclusions.

But we do have a sense of the great achievements of our policies in the past, and a thankful appreciation of the efforts of our negotiators in the Kennedy round, including Mr. Curtis, our Representative from Congress. We remember, even in this subcommittee, the devotion of men like Christian Herter and Will Clayton who were prepared to examine new ideas and to recommend giant steps when they were needed.

Our witnesses in these six hearings have given us invaluable guidance in maintaining that tradition.

We are particularly grateful to Mr. Rockefeller and Mr. Ball for the very fine contributions they have made.

The subcommittee will adjourn.

(Whereupon, at 12:10 p.m. the subcommittee adjourned, subject to the call of the Chair.)