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polluted, but to establish the most direct and effective means of control. It's not to give up in despair at snarled transportation, but to enlist the energies of those most directly affected in straightening out the snarl.

As we turn away from the old paternalism of the 40's and toward the expanded democracy of the 70's, we'll discover a new dignity, a new unity, a new stability in America. We'll discover anew that this land *is* our land, all of us together, that its destiny is our destiny. We *are* one nation, together and inseparable, and if that proposition has been tested in these past years, tested in the fires of our cities, tested in war and in the bitter debates the war engendered, tested in demonstrations and civil disobedience and in the wondering conflict of the generations, the nation has shown that it can pass that test. Despite our troubles, there's a gathering today of the forces that are going to cement our society back together again—determined that decency and justice *will* prevail, and determined that reason shall rule.

Emerson wrote that "governments have their origin in the moral identity of men." Woodrow Wilson told us: "I believe in democracy because it releases the energy of every human being."

To make its expanded democracy work, America will need the willing hands of millions of individual people—proclaiming by their deeds that moral identity which is the rock our freedom rests on. America will need their involvement. It will need their ideas and their energies.

That is why, in this campaign, in this watershed year, I am asking not just for your votes in 1968, but for your continued help in the next Administration. That is why I ask not just your support, but also your enlistment in this great adventure that stretches before us.

FOREIGN TRADE POLICY IMPERATIVES EXPRESSED BY EMERGENCY COMMITTEE FOR AMERICAN TRADE

Mr. MONDALE. Mr. President, on Friday, June 14, a panel of members of the Emergency Committee for American Trade testified on its behalf before the House Committee on Ways and Means, which is now holding the most comprehensive hearings on foreign trade since 1962. The emergency committee's 53 members represent major segments of American manufacturing, banking, merchandising, and publishing firms with extensive domestic and international commitments. They derive large portions of their income from export sales, and they employ thousands of American workers in export trade.

The emergency committee points out:

The reciprocal trade agreements program is entirely consistent with the principles of Free Enterprise market economy, and it should commend itself to the economic conservative no less than to the political liberal.

The committee realizes that some American producers may be facing unfair competition from exports, but it believes that such problems "can be resolved within the tested framework of a multilateral trading system and an expanding world economy."

The emergency committee's witnesses were Mr. Arthur K. Watson, chairman of the board of IBM World Trade Corp.; Mr. William Blackie, chairman of the Caterpillar Tractor Co.; Mr. T. A. Wilson, president of Boeing Co.; and Mr. Robert Purcell, chairman of the International Basic Economy Corp. Their statements include their views on trade quotas, agreements restricting imports across-the-board to certain percentages of domestic consumption, and special import taxes. I ask unanimous consent that the statements be printed in the RECORD.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

STATEMENT BY ARTHUR K. WATSON ON BEHALF OF THE EMERGENCY COMMITTEE FOR AMERICAN TRADE

Chairman Mills and members of the Committee, my colleagues and I are pleased to testify here today on behalf of the Emergency Committee for American Trade. With me are Mr. William Blackie, Chairman of the Caterpillar Tractor Company, Mr. T. I. Wilson, President of Boeing Aircraft, and Mr. Robert Purcell, Chairman of the International Basic Economy Corporation. I am Chairman of the Board of IBM World Trade Corporation and am speaking today also as Chairman of the Board of the Emergency Committee, and I am also currently serving as President of the International Chamber of Commerce.

As its name suggests, the Emergency Committee was formed in response to the serious threat which has recently been posed to the 34-year-old reciprocal trade agreements program. Our 53 members represent major segments of the manufacturing, banking, merchandising and publishing sectors of the American economy. We did not have time enough to obtain the approval of every member for this statement. We do believe that the views expressed herein accurately express the consensus of our Committee. They are based on public statements agreed to by members and on continuing communication with them.

We have joined together in the Emergency Committee—and we are here today—because of our conviction, as businessmen, that a substantial and growing volume of two-way trade, based on reciprocity, is essential to the economic health of the United States. We are not free trade theorists. We recognize that some American producers may be facing unfair competition from imports and that some American exporters, including members of the Emergency Committee, are being discriminated against in foreign markets. We recognize also that the Ways and Means Committee is concerned, properly so, about the decline in the U.S. trade balance.

We hope to deal with these and related issues straightforwardly and practically. We believe that they can be resolved within the tested framework of a multilateral trading system and an expanding world economy.

I want to make it clear at the outset that our companies have a tangible economic stake, amounting to many billions of dollars annually, in this system. We believe that for American industry trade means increased sales, profits, and lower unit costs . . . that it means job opportunities for our workers, who are among the best-paid in the United States and therefore in the world . . . that trade is a spur to the technological advancement on which America's economic progress so heavily depends.

While we are here frankly to defend our own economic interests, we believe that the national interest is likewise identified with a liberal trade policy. Parenthetically, I might say that it is regrettable in some respects that the reciprocal trade agreements program has come to be known as a "liberal" trade policy. This is an adjective that may lose as many votes as it wins. The important thing is that the reciprocal trade agreements program is entirely consistent with the principles of the Free Enterprise market economy, and it should commend itself to the economic conservative no less than to the political liberal.

The members of the Emergency Committee are convinced, on the basis of practical experience, that two-way international trade is a powerful engine of economic growth. We have witnessed the effect in our own companies and industries.

For example, among the members of the Emergency Committee are the nation's largest aircraft makers, Boeing, McDonnell Douglas, Lockheed and United Aircraft. One member company, Lockheed Aircraft Corporation, exported $249.3 million worth of products in 1967 and imported only $13 million. It employed an estimated 8,000 to 10,000 employees in export business that year.

Overall, jet aircraft and parts are one of the nation's largest exports, totaling $921 million in 1967, up from the total of $226 million of five years earlier. In his statement to this Committee on June 4, Secretary Wirtz estimated that 60,000 jobs in the aircraft industry result from this export business.

The simple yet essential truth, Mr. Chairmain, is that for many major industries sales in the world market are frequently the difference between high cost production and production sufficient to permit achievement of scale economies, and, therefore, markedly lower costs. The aircraft industry is but one example of an industry that would be unable to achieve economies of scale without access to international markets.

By the same token, however, this dependence on foreign export markets makes their industry very vulnerable to retaliation. Our customers are often governments or government-controlled entities. If we damage our trading partners, they can turn elsewhere for their purchases.

My own corporation has a vital stake in world trade. IBM exported $222.9 million worth of products in 1967, compared to $84.9 million in 1963. IBM's total net contribution to the U.S. balance of payments was $353.6 million in 1967. It is very difficult to estimate the employment resulting from these exports. But we do export parts and equipment from plants in all parts of the country.

THE BALANCE OF PAYMENTS AND TRADE POLICY

As businessmen and responsible citizens, we are greatly concerned with the weakening trade balance and with our recurrent balance-of-payments deficits.

An essential question for public policy is whether in light of a declining trade surplus we should continue the trade policy that seeks liberalization of barriers to trade, or whether we should reverse that policy by imposing import restrictions such as the quota proposals before the Congress, or special import taxes.

The business community firmly believes that the most feasible answer to the balance of trade problem is reduction of the size of the federal deficit, both by cutting expenditures and by raising taxes. These steps are fundamental if we are to control domestic inflation and thus temper the economic forces that on the one hand have made imports more attractive to consumers and more necessary for the economy, and on the other hand have made U.S. exports less competitive in the world market.

We believe that an overwhelming majority of the nation's businessmen want enactment of the expenditure cut/tax increase package fashioned by the House-Senate conference. It is *the* essential step needed to help restore our trade surplus, help restore confidence in the dollar, and improve international monetary stability.

Domestic price stability is clearly important if U.S. industry is to remain competitive world-wide.

SPECIAL IMPORT TAXES

Direct measures have been suggested as necessary to improve the payments balance by improving the balance of trade. Some advocate that the United States impose special restrictions on imports. Others have recommended a special import surcharge—some a border tax on imports with a corresponding rebate on exports.

The proposal most widely discussed as a "corrective" for a payments deficit is a flat percentage surcharge on imports. The surcharge level most frequently discussed is 10 percentage points. Thus, if the duty on commodity X is currently 5%, a 10% tariff surcharge would bring the total duty up to 15%—an increase of major significance.

The overwhelming majority of the Emergency Committee for American Trade is opposed to a tariff surcharge. An important reason is the harmful economic effect of raising costs in an economy that is striving to remain internationally competitive. Exports would fall because of higher component costs. Ironically, there is also the possibility of increased imports of products made with cheaper foreign raw materials. A surcharge would also mean higher prices to U.S. consumers at a time when many American families are already suffering the effects of inflation.

Finally, there is the problem of foreign countermeasures. It is very likely that other countries would follow with their own special import taxes, thereby lowering the level of international trade but with no net advantage to the U.S. trade account.

Many of the same disadvantages would attach to a 2% border tax/export rebate, which has also been suggested as a balance of payments remedy and, more particularly, as a basis from which the United States could begin to negotiate removal of other countries' border taxes.

This is a most complex issue, having to do with theories of taxation and the rules of the GATT. As this Committee knows, GATT rules permit indirect turnover taxes on domestic production to be rebated when goods are exported, and permit an equivalent tax to be levied on imported goods. Under these same GATT rules, the U.S. uses the same border tax and rebate system to reflect our own manufacturers' excise taxes, such as those on tires and tubes at our border.

When the border tax system was conceived in 1947, it was considered an "equalization" tax, based on a theory that indirect taxes are passed on to consumers. The theory of taxation on which the border tax system was based is now widely challenged. It appears obvious that indirect taxes are not all passed to the consumer. In whole or part they may be absorbed by sellers. It appears equally obvious that direct corporate taxes, on which the U.S. heavily relies, are not completely absorbed by corporations, as the theory held, but may to varying degrees be passed on to consumers in higher prices.

U.S. negotiators have recently opened talks in GATT to obtain changes in the border tax. We believe this is the best course of action at this time. It is difficult to expect that a 2% charge on imports and a 2% rebate on exports, such as had reportedly been proposed within the Treasury, would produce any real impact on our balance of trade. Although a program of rebate would mean cash in hand to our members, we understand that many of our major trading partners could legally justify additional border taxes should the U.S. choose this course of action. Such a course, even though to our own immediate advantage, would in the end be self-defeating.

Neither do we think that a border tax or a tariff surcharge are needed for bargaining reasons, even were our trading partners to accept such measures without retaliation. There are existing remedies in U.S. law for inequities against some American firms and industries. The countervailing duty law provides protection against foreign imports that are subsidized. Section 337 of the Tariff Act of 1930 is intended to provide a recourse for those firms that suffer because foreign firms and their U.S. agents or distributors are violating our anti-trust laws. We have treaties of Friendship, Commerce and Navigation with most countries, treaties that provide that unfair trade practices, and discrimination in other matters such as investment, shall be removed. We have an anti-dumping law designed to curb the selling of foreign goods in this market at prices below those in the home market of the exporter. A national security provision in the 1962 trade act provides for an investigative procedure and special import protection when a sound case of national defense essentiality is made. We further have in the 1962 trade act an escape clause and adjustment assistance procedure. Finally, we have the provisions of the General Agreement on Tariffs and Trade, rules that give us rights to take action against foreign trade practices that violate our rights. No doubt these mechanisms can and should be employed more vigorously. But we submit, Mr. Chairman, that they provide a very strong basis for protecting ourselves from injurious foreign practices that are felt by our businessmen both here and abroad.

Mr. Chairman, what concerns us as businessmen about both types of special import charge is not only the likely harmful impact on our trade, but, equally, the impact of an international trade "war" on U.S. business operations overseas. It is vitally important to this country that the climate for U.S. foreign investments be as healthy as possible.

The profits of American owned businesses abroad strengthen American firms and the American economy. These foreign business operations are in a sense the hostages of foreign governments. They operate under host country laws, and they depend on a favorable business climate in those countries. Foreign hostility toward American firms would be one the first results of a trade war started by this country. There are a number of ways in which this hostility could be expressed—none of which would be helpful. I have in mind such devices as government taxes and licensing policies that could be used to discriminate against existing and prospective U.S. investments.

The diminishing strength of the balance of trade is a serious problem. Putting our own domestic economy in order is the overriding corrective measure. Other measures such as vigorous diplomatic representations on behalf of U.S. interests are in order. The offer of sixteen of our major trading partners to accelerate their Kennedy Round tariff cuts has been encouraged by our Committee in direct contacts with overseas business organizations. While the present offer is conditional on certain U.S. actions that may prove unacceptable, it is in the right direction of multilateral solutions to domestic problems.

ORDERLY MARKETING AND EQUITABLE TRADE

The nation's balance of payments problem and the weakness of the trade account have been used by the proponents of trade restriction as a compelling reason for the more usual types of trade restriction. In a time of balance of payments crisis, national economic policy should help create a more competitive domestic economy. Proposals for import "ceilings" and quotas are inherently anti-competitive devices, the opposite of the type of measure that should be taken.

For these general reasons, the Emergency Committee for American Trade objects very strongly to the restrictive trade formulae in what are called "orderly marketing" or "equitable trade" bills. A notable example of these, H.R. 16936, would automatically impost quantitative import limitations on the basis of simple arithmetic formulae. In effect this "omnibus" approach to import restriction employs the quota device, but in a disguised form. Without prior proof of injury to domestic industry, import ceilings would be imposed based on rates of growth of imports, variously calculated, over varying time periods, and in different regional markets.

The application of these formulae would be an administrative nightmare. Experience with the operation of present import quotas, on cotton, textiles, oil and sugar, and the like has proved the difficulty of administering an import quota program and the impossibility of fairly allocating the quota among different domestic consumers and foreign suppliers.

Perhaps the greatest danger of the "omnibus" quota, or "equitable" trade approach is its rhetorical appeal. Its proponents argue that, in contrast to an inflexible quota, the "ceiling" approach would permit imports an assured growth as rapid as that of domestic consumption of particular products. They would hope to put aside the possibility of foreign retaliation by claiming that the ceilings would not actually "cut back" imports, but that they would merely allow "equitable" growth in tune with the rest of the market.

These arguments on their face sound reasonable and fair. But such market control devices have no precedent in the domestic economy, and they should not. As American businessmen, we believe that the so called orderly trade approach to competition and the marketplace is the antithesis of the competitive philosophy and attitudes that have made this economy the richest and most progressive in the world.

QUOTAS

A major concern of the Emergency Committee are the many quota proposals now before Congress. It is not possible to explore here the problems of each commodity for which there is a quota proposed. Invariably each case for protection from foreign competition has different characteristics and causes.

Some firms or even industries may have some major problems which make them vulnerable to import competition. We do not ignore factors that make import competition unfair and disruptive. Our purpose is to find ways to make adjustment to competition easier, and to remove unfair trade practices, either through the application of existing statutes, the creation of new statutes, or by changes in, or creation of, new international rules.

The Emergency Committee's view is that quotas are a negative, self-defeating form of response both to problems of competition and to problems of unfair trade practices. By their nature, quotas reduce incentives to modernize, to cut costs, to increase productivity and output—the essential underpinnings of our high standard of living and wages. These forces would be weakened behind a shield of government restrictions which operate as subsidies. In the long run, our economic growth and high standards of living depend on the ability of efficient industries to compete in our own and in world markets, and we believe that trade legislation and policy should be directed to this objective.

Mr. Chairman, I have visited Europe several times in recent months, as well as Latin America. The leading businessmen I talked to in each country are all concerned with our balance of payments problem and with the prospect of trade restrictions here. To a man, however, they believe that restrictive actions by the United States would initiate a competitive series of restrictions in their own countries, with everyone a loser and no one a winner.

LOW-WAGE IMPORTS

Let me touch on employment. Some sophisticated exponents of import protection, using a computer analysis, have attempted to demonstrate a direct causal relationship between imports and labor displacement between 1958/60 and 1964, particularly in what are called low-wage industries. At this point in our statement I will state only that our own analysis shows that rising productivity was a much more important cause of the loss of jobs in these industries than was the rise in net imports. Furthermore, from 1964 to 1966 six of the nine industries which are claimed to have suffered most from import competition actually showed increases in employment because of a vigorous rise in their sales.

We are prepared to discuss this in more detail.

OBJECTIVES FOR AMERICAN TRADE POLICY

As a general objective, we believe that the continuing thrust of U.S. trade policy must be reciprocally and progressively to reduce trade barriers of all kinds. Though the Kennedy Round succeeded in reducing the average tariff levels of most major industrial countries to quite low levels, many high rates remain to be dismantled.

But tariff reduction should no longer be the principal objective of trade policy. That objective must be a new effort to document and progressively eliminate "other-than-tariff" barriers to trade. These barriers, along with the traditional tariffs and quotas, can both impede trade and greatly distort trade patterns.

FAIR COMPETITION POLICY

Our experience in world markets leads us to the firm recommendation that we begin now to lay the foundations for a "fair competition policy" that would achieve a substantial degree of commonness in the environment in which international business is transacted. The objective of this policy should be to create a code or series of codes that would establish common norms and standards.

The new International Antidumping Code is an example of the type of international agreement that I have in mind. Without attempting to judge the technical question of whether or not the U.S. antidumping law and the International Code are in conflict, we believe that the Code is a positive step forward and indicates the direction towards which policy should aim.

STRENGTHENING THE CONDUCT OF U.S. FOREIGN ECONOMIC POLICY

If the United States is to cope fully with trade problems and is to be able to effectively encourage creation of a world program for fair economic competition, thought should be given to improved administrative mechanisms for the conduct of trade and related foreign economic policies. A minimum requirement is to make permanent the Office of the Special Representative for Trade Negotiations and to strengthen its ability to handle the many complex foreign trade and commercial issues that daily confront it. Beyond this, we suggest that this country begin to plan for eventual creation of a foreign economic policy agency with Cabinet status.

We suggest that the Ways and Means Committee give thought to this proposal in framing new legislation.

ADMINISTRATION TRADE BILL

The proposed 1968 Trade Expansion Act is necessary at this time for a number of reasons. The so-called "housekeeping" authority it contains will simply allow the President to use the tariff cutting authority left over from the 1962 Trade Expansion Act to conduct properly the nation's commercial relations. It would also give the President the bargaining power he might need to conduct negotiations to correct special problems arising between the United States and one or several of its trading partners. It is our understanding that the Administration has no intentions or plans to enter into any broad-scale tariff negotiations should the housekeeping authority be granted.

A major problem of the Kennedy Round was the American Selling Price (ASP) system of customs valuation, a system which permits duties on four kinds of imports to be based on the U.S. price of the competitive product, rather than the actual price of the import itself. Though essentially it is a technical problem of import valuation, ASP is a choice example of a non-tariff barrier to trade. Administration spokesmen have discussed at length the nature of the ASP system, and spokesmen for those who oppose change in the present system will no doubt exhaustively explore the technical aspects of this method of customs valuation in days to come.

We can only make some general observations here. First, in my post as President of the International Chamber of Commerce, I talk regularly with businessmen abroad. I have been deeply impressed by the extent to which foreign businessmen see the American Selling Price system as a major impediment to trade relations, as a symbol of the difficulty of competing in the American market. I am convinced that the American Selling Price, unless modified to conform to the standard methods of valuing imports, will impede further meaningful progress in removing foreign non-tariff barriers, and creating conditions of fair competition in world trade by eliminating restrictive business practices.

It is very difficult for one group of businessmen to suggest remedies for another. We do not wish to be in that position, and would merely rest our comments about ASP on these thoughts: uniformity of commercial practice is a particularly desirable objective in international business; the ASP system itself has outlived the conditions that made it desirable in 1922 as a measure to encourage development of the then "infant" benzenoid chemical industry; ASP stands in the way of really meaningful future liberalization of world trade through removal of the other-than-tariff restrictive trade practices of other countries.

The proposed trade bill would also authorize annual appropriations to finance the U.S. contribution to the budget of the General Agreement on Tariffs and Trade. We support this proposal, because we believe that in any meaningful effort to establish uniform world competition rules the General Agreement on Tariffs and Trade would likely be the principal instrument through which to achieve this objective.

CONCLUSION

We have tried to demonstrate the nature of our economic stake in a freer trade policy. We believe that restrictions such as quotas and orderly marketing ceilings are unwarranted and inconsistent with a free enterprise economic system. We believe that the balance of trade problem must be met by fundamental U.S. economic policy measures, rather than by measures of external control. We are convinced that any advantage the United States attempts to gain through restrictionist schemes will be more than wiped out by retaliation from our trading partners.

For the future, we recommend that a policy of fair competition in world trade be formulated and implemented appropriately, and that primarily in this way problems of unfair foreign trade practices be corrected. The President's trade proposals would be a first step forward.

STATEMENT BY ROBERT W. PURCELL, CHAIRMAN OF THE INTERNATIONAL BASIC ECONOMY CORP.

Mr. Chairman, my name is Robert W. Purcell. I am a member of the Emergency Committee for American Trade. For the past several years I have been officially connected with the International Basic Economy Corporation successively as President, Chairman of the Board of Directors, and most recently, Chairman of the Finance Committee. This corporation, generally referred to as IBEC, is engaged in a number of business activities specifically designed in part to contribute to the economic development of less developed countries on a private enterprise basis. To that end, we have business activities in some 18 countries which are classified as less developed and therefore the object of aid and support in line with our Government's official foreign policy.

Through this network of business organizations, we are in close contact with these countries' business leaders, professional men, political leaders, and others engaged in all walks of life. The first point I wish to make here this morning is that the people in these less developed countries view with great alarm any move by the Government of the United States which will tend to decrease world trade and the ability of these countries to participate in it. They frankly fail to comprehend any policy of the United States which, while giving financial aid to them on the one hand, will, on the other, impair their ability to export their products through world trading channels to the United States. They point out that when other industrialized countries retaliate against U.S. protectionism by erecting trade barriers of their own then their export trade would be adversely affected elsewhere in the world. I submit, Mr. Chairman, that the adoption here of protectionist measures would be a sad step backwards in our continuing endeavors to maintain good relations between this country and the developing nations of the world.

The second and final point I wish to make this morning, Mr. Chairman, relates to a question that is frequently used to arouse the emotions—the effect of imports on jobs.

It has been argued, frequently and vigorously, that American industry needs protection against imports so that our people will not lose their jobs. We all understand the seriousness of such a charge. But I must say that this argument sounds a bit strange today, considering that the national unemployment rate is now down to 3.5%, that experienced wage and salary workers have an unemployment rate of 3.2%, and that unemployment among married men is down to the extremely low level of 1.6%. We have, in, fact, a situation that has edged beyond full employment toward one of over-employment, and the resulting labor shortages are a significant force behind our current inflationary problem.

This is not to deny that high unemployment rates continue to exist in certain areas and among certain groups in our economy. Everyone is aware that there is considerable unemployment among the young, among Negroes, in depresseed areas and in the ghettoes. The question at issue, however, is whether or not import quotas or similar devices will actually improve the employment situation for these people. We find no compelling evidence that it will. If we are to solve the unemployment problem that now exists in various pockets in our economy, the tools used are going to have to be the kind that can be applied directly to the problem where it exists. General tools, like import quotas covering entire industries, will not do this job and will give us more inflation. Furthermore, it is erroneous to think that industries or even particular enterprises protected by quotas will provide real solutions to the problems of unemployment and poverty. What they would do is trap people in low-paying jobs and virtually guarantee continuation of their status as low-wage workers.

In 1966, in testimony presented to a subcommittee of the House Education and Labor Committee, this job argument was offered in a slightly different form by the Trade Relations Council. It was based on a computer analysis of data on employment, imports and exports for certain U.S. industries. A key table in that analysis covered 35 industries, all of them at the relatively small four digit Standard Industrial Classification code level. The 35 industries were labor-intensive; all 35 showed a decline in employment from the average for 1958–60 to 1964; and all showed an increase in net imports over those same years. The implication was plain. Imports were presumably causing the decline in employment, and the decline was particularly bad because labor-intensive industries offer many of the beginning jobs for people with low skills.

The 35 industries involved had lost a little over 200,000 jobs over the period involved. About $^3/_4$ of this loss was concentrated in 9 of the 35 industries. Our economists examined these nine industries. Our analysis showed that most of the jobs involved were lost because of a rise in productivity in the industries involved. Imports had nothing to do with the loss of most of these jobs. It is true that imports exceeded exports by a greater margin in 1964 than 1958, 60 in every one of the nine industries examined, but the rise in net imports accounted for only a small fraction of the actual decline in jobs. In Footwear, where the job decline due to imports was greatest, 3,450 out of 12,764 production worker jobs lost could be traced to imports. However, in Sawmills and Planing Mills only 2,053 out of 42,133 could be traced to imports, and in Bakery Products only 117 production workers jobs out of a total of 18,713 jobs lost could be attributed to imports. The implication that imports caused most of the job losses is erroneous. While the loss of even one job can be a personal tragedy, even this must be offset against the 2.9 million American jobs based on exports which are at hazard when we consider protectionism and the retaliation it would provoke.

One last point is worth making about the nine industries that were analyzed. During 1964–1966, six of them showed employment increases, and the others showed a reduced rate of job loss.

Details of our analysis are available if the Committee would like to pursue this question further.

I want to thank you for this opportunity to present by views.

STATEMENT OF WILLIAM BLACKIE, CHAIRMAN, CATERPILLAR TRACTOR CO.

I would like to support the position of the Emergency Committee—by appealing for Protection—for protection of the jobs of millions of Americans who earn their living through all the manufacturing and commercial processes involved in exporting from the U.S.

In total, I am informed that such employees far exceed any number that could possibly be harmed by any increase in imports; and I presume that one of the important objectives of our trade policy should be net advantage to us in terms of employment.

Using my own employer, Caterpillar Tractor Company, only for pragmatic illustrative purposes: we expect our exports this year to exceed $500 million (and hopefully to make a contribution of about that amount to the U.S. balance of payments). That will be about one-third of our total sales and on the basis of a U.S. employment of more than 48,000 we estimate that about 15,000 of our people owe their jobs to these exports.

(As I observe the constitution of this committee's membership, I might perhaps interject here the information that the greater proportion of our work force is engaged in Illinois, and it is no coincidence that Caterpillar is both the largest employer and the largest exporter in that state. Other employment is located at our plants in California, Iowa, Ohio, Pennsylvania, and Wisconsin.)

(In a further digression, it might not be wholly inappropriate to mention that $500 million is roughly one-half of the adverse balance of trade for the entire U.S. steel industry, and when that industry decries the paucity of its exports it generally seems to overlook the fact that Caterpillar and steel-users like it are, in effect, its export department.)

These results have been attained gradually over a number of years and we believe we can carry them forward further provided that, in addition to the hazards at home, we are not handicapped by a reduction of opportunity to sell into other countries by reason of restrictions imposed by their governments.

In every developed country, just as in ours, there are industries that would rather operate under the shelter of some form of protection than face up to the rigors of open competition. And again, just as in our country, those industries are locking for every possible opportunity to justify a claim for protection from their external competitors.

Not unexpectedly, the arguments offered in support of their claims are about the same as those advanced here—fuller employment, defense essentiality, balance of payments betterment, etc. To be sure, none can claim harm from "cheap American labor." Instead they claim to be the suffering victims of the "technological gap" between U.S. industry and theirs. They want, in effect, to be protected from our skills—from those proficients which have made it possible for American industry to pay higher wages and still be competitively effective in world markets.

Among the opportunities which could be created for such claims by foreign industries, and for responsive actions by their governments, would be any action on the part of our government to restrict their imports into this country. After years of multilateral reciprocity in the progressive expansion of international trade, we would be faced with a variety of unilateral retaliatory measures—leading to a regressive restriction of both international trade and internationl competition.

In the beginning, the battle would be fought on the grounds of *price*. But price is only one of the elements in the competitive discipline. In the long run it is likely to be superseded by the more important element of innovation—of invention—of ideas. Could it be entirely accident or coincidence that, in American industry today, those exports which are contributing so gratifyingly to our balances of trade and payments are, for the most part, being made by industries which, on the one hand, have had little or no protection from foreign competition and, on the other hand, have produced a disproportionately large contribution of innovation and enterprise.

Mr. Chairman, gentlemen, in any competitive situation, the way to win is to avoid the creation of conditions under which one will lose. In my judgment we cannot retreat our way out of our present predicaments. We must continue the advances made by our predecessors. We are in good position to continue the move forward, expanding our employment, increasing our tax base, strengthening the value of our dollar, and contributing more than ever to the welfare of that troubled world in which we hold such a responsible, leadership position.

STATEMENT OF T. A. WILSON, PRESIDENT, THE BOEING CO.

Mr. Chairman, we appreciate having the opportunity to appear before this Committee to express The Boeing Company's belief in the importance of freer world trade—not just its importance to the commercial jet transport industry—but, more importantly, to the trade balances of the United States.

We view the expansion of world trade as being vital to the economic well-being of this nation. Unilateral or more severe import restrictions, in our view, would invite retaliatory trade restrictions which could seriously injure the United States, its consumers, the economy and business and labor generally.

With respect to labor, in his statement to this Committee on June 4, Secretary Wirtz estimated that 60,000 jobs in the aircraft industry result directly from export business. In our company alone, today, we conservatively estimated that our foreign sales account for 15,000 of our employees. Since we subcontract approximately one-half of our work a comparable number of people would be employed by our subcontractors.

Now, Mr. Chairman, despite foreign government monopolies, subsidies, and other competitive advantages, the United States commercial jet transport manufacturing industry has sold and delivered to foreign customers one-third of its total output since the beginning of the jet age in 1958. Since 1958 these exports have averaged more than $300 million annually. For the last three calendar years, the average has been more than $500 million annually. The immediate future looks even better. Market forecasters are estimating a foreign market for commercial jet transports averaging $1 billion a year during the next decade. Conversely, imports by United States airlines of jet aircraft have totaled $200 million since the beginning of the jet age.

A remarkable penetration of the world market has been achieved, with United States manufacturers capturing about 70% of total sales of jets to foreign airlines. However, the imposition of additional United States import barriers could reduce the demand for our products. In the long run, such action might further encourage certain foreign countries to support their airplane manufacturing industries in the development of competitive products that could reduce significantly the United States' share of the world market.

The demand for United States jet transports by the world's airlines is directly affected by the extent and trend of world trade. It is generally accepted that the ease of long range travel created by jet aircraft has stimulated and in turn is stimulated by international trade.

Because of the critical status of the country's balance of payments position, a United States Government position reaffirmed its support of freer world trade is considered to be most important. We believe that the United States should continue its lead in demonstrating to the world that free trade is the cornerstone of the economies of free nations. Certainly, no country has more to lose from pursuing the dangerous policy of restricting trade than the United States of America.

The simple, yet essential, truth, Mr. Chairman, is that companies in the forefront technologically need world markets to remain competitive. Sales in the world market are frequently the difference between high cost production and production sufficient to permit achievement of scale economies, and, therefore, markedly lower costs.

By the same token, however, this dependence on foreign export markets makes our industry extremely vulnerable to retaliation. Our sixty foreign customers include governments and government controlled entities. As an example, three of the largest are British Overseas Airways Corporation, Air France and Lufthansa of West Germany. The first two (BOAC and Air France) are wholly government owned and the third (Lufthansa) is about 75% government owned. In light of such government-airline relationships, it would seem likely that, should the United States institute trade restrictive actions, the governments of the countries affected might be inclined to further support foreign airplane companies whose products presently are not generally competitive with those produced in the United States.

RICHARD NIXON STANDS TALL AND STATESMANLIKE

Mr. HRUSKA. Mr. President, the campaign for the Presidency continues, and